FRANCHISE DISCLOSURE DOCUMENT

(Single-Unit Franchise and Development Rights)

®

GUS'S FRANCHISOR, LLC
5828 Shelby Oaks Drive
Memphis, Tennessee 38134
Phone: (901) 567-5261
Fax: (901) 416-2887
wendym@GusFriedChicken.com
www.GusFriedChicken.com

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a Delaware limited liability company
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The franchised business you will own and operate is a casual restaurant that features fried chicken, beverages, beer, and unique food service and other products doing business under the Principal Trademark "Gus's World Famous Fried Chicken®" (the "Franchised Business").

The investment necessary to begin operation of a Franchised Business ranges from $551,500 to $1,254,500. This includes $75,000 that must be paid to us or an affiliate.

We also offer to certain qualified persons rights ("Development Rights") to develop a specified number of Franchised Businesses (the "Gus's Restaurants") within a development area (the "Development Area") under a Gus's Development Agreement (the "Development Agreement"). You must purchase a minimum of 2 Franchise Businesses. You must pay us a Development Fee equal to $10,000 times the number of Gus's Restaurants you agree to develop (other than for the 1st Gus's Restaurant that you must purchase at the same time you purchase Development Rights). We will credit $10,000 of the Development Fee against the Initial Franchise Fee for each additional Gus's Restaurant you develop.

This Franchise Disclosure Document <u>summarizes</u> certain provisions of your franchise agreement ("Franchise Agreement") and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive this Franchise Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this Franchise Disclosure Document.**

You may wish to receive this Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of this Franchise Disclosure Document in different formats, contact Wendy McCrory, President of Gus's Franchisor, LLC, at 5828 Shelby Oaks Drive, Memphis, Tennessee 38134 and (901) 567-5261.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The date of issuance of this Franchise Disclosure Document is April 15, 2022.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much will I earn?	ITEM 19 may give you information about unit sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in ITEM 20 and Exhibit K.
How much will I need to invest?	ITEMS 5 and 6 list fees you will be paying to the franchisor and at the franchisor's direction; ITEM 7 lists the initial investment to open, and ITEM 8 describes the suppliers you must use.
Does the franchisor have the financial ability to support my business?	ITEM 21 and Exhibit L include financial statements. Review these statements carefully.
Is the franchise system stable and growing or shrinking?	ITEM 20 summarizes the 3-year history of the number of Company-Owned and Franchised Units.
Will my business be the only Gus's Business in my market?	ITEM 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	ITEMS 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Gus's franchisee?	ITEM 20 and Exhibit K list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 ITEMS and all Exhibits in this Franchise Disclosure Document to better understand this franchise opportunity. See the Table of Contents.

WHAT YOU NEED TO KNOW ABOUT FRANCHISING GENERALLY

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

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

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

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

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

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

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

SOME STATES REQUIRE REGISTRATION

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

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

SPECIAL RISKS TO CONSIDER ABOUT THIS FRANCHISE

Certain states require that the following risk be highlighted:

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

Certain states may require other risks to be highlighted. If so check the "State Specific Addenda" pages for your state.

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EXHIBITS

ITEM 1 - THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor, Parents and Affiliates

The Franchisor is Gus's Franchisor, LLC, a Delaware limited liability company, and is referred to as "we," "us" and "our." The "Franchisee" is the person, persons or Business Entity to whom we grant the right to purchase and operate a Gus's World Famous Fried Chicken restaurant (the "Gus's Restaurant") and is referred to as "you" and "your." If the Franchisee will be a Business Entity, each of the equity owners (the "Franchise Owners") must sign the Guaranty of Franchisee's Obligations included in Exhibit H. All capitalized terms, not elsewhere defined in this Franchise Disclosure Document, have the meanings contained in the Franchise Agreement.

Franchisor. The name of the Franchisor is Gus's Franchisor, LLC. Our principal business address is 5828 Shelby Oaks Drive, Memphis, Tennessee 38134 and our telephone number is (901) 567-5261.

Parent Company. The name of our parent company is Hot and Spicy Holdings, LLC, a Delaware limited liability company organized on May 3, 2012 (our "Parent"). Its principal address is 5828 Shelby Oaks Drive, Memphis, Tennessee 38134 and its telephone number is (901) 567-5261. Our Parent does not offer franchises in any line of business and does not supply products or services to you.

Affiliates. We have no affiliates that are selling franchises in any line of business or that will provide products or services to you. However, our affiliate, Gus's IP, LLC, a Delaware limited liability company ("Gus's IP"), owns the Principal Trademarks and other Intellectual Property and licenses us to use, and for us to sublicense our Franchisees to use, the Principal Trademarks and other Intellectual Property in connection with the offer and sale of Franchises and Development Rights. Gus's IP maintains its principal business address at 5828 Shelby Oaks Drive, Memphis, Tennessee 38134 and its telephone number is (901) 567-5261. Gus's IP has not conducted a business of the type you will operate.

Our Predecessors

The name of our predecessor is Bonner Holdings, Inc., a Tennessee corporation f/k/a Gus's World Famous Hot and Spicy Fried Chicken, Inc., a Tennessee corporation incorporated on April 10, 2001 (the "Predecessor"). The Predecessor maintains its principal business address at 1025 Fair Street, Dyersburg, TN 38024 and operates the Founder's Restaurant (hereinafter defined) located at 505 U.S. 70, Mason, TN 38049 and its telephone number is (901) 294-2028.

Trade Name

We conduct business under the trade name "Gus's World Famous Fried Chicken®".

Our Agents for Service of Process

Exhibit B contains the identities and principal business addresses of our agents for service of process in all states.

Type of Business Organization

We are a Delaware limited liability company organized on August 29, 2012.

Our Business and the Franchise Offered

Our Business. Our business is the offer and sale of Gus's Franchises and Development Rights and the servicing and supporting of our Gus's Franchisees, the operating of Company-Owned Units using the Business System through affiliates and expanding the Network of Units.

Other Business Activities. We have not conducted business in any other line of business and have not offered franchises in any other line of business.

Franchised Business. The Franchised Business you will conduct is a casual restaurant that features fried chicken, beverages, and unique food service and other products doing business under the Principal Trademark "Gus's World Famous Fried Chicken®".

Development Rights. In addition to the single Gus's Restaurant, we offer to certain qualified persons rights to become a multi-unit franchisee by developing several Gus's Restaurants within a Development Area under the Development Agreement included in Exhibit D. You and we will negotiate a specific number of Gus's Restaurants that you will be obligated to develop over a specified period reflected in a Development Schedule. Non-Traditional Sites are excluded from your Development Agreement and the Development Area. For the perimeter of the Development Area, you agree that you will not select a site that is within the Limited Protected Territory of a Company-Owned Unit or Franchise Unit that is operating or under construction. Subject to our rights described in the "Our Reserved Rights" paragraph in ITEM 12, we agree not to open a Company-Owned Unit or a Franchise Unit within the Limited Protected Territory of any of your Franchise Units even if the Limited Protected Territory extends outside the Development Area. For each Gus's Restaurant you develop, you must sign our then-current form of Franchise Agreement. The material terms of our then-current form of Franchise Agreement may vary substantially from the form of Franchise Agreement included in Exhibit C. You must purchase your 1st Gus's Restaurant when you sign the Development Agreement. If you fail to timely achieve the Development Schedule, you may lose all future Development Rights if we elect to terminate the Development Agreement. We will then have the right to reassign these Development Rights to another party or we may retain these rights. You may keep your Franchise Units then developed or under construction, provided you are not in default under the Franchise Agreements. If you are not purchasing Development Rights, you can ignore Exhibit D and the provisions of this Franchise Disclosure Document involving Development Rights.

General Market

The general market for the products and services you offer is customers eating out, or take-out, and desiring fried chicken lunch or dinner. You will sell the products and services to the general public.

Industry-Specific Laws or Regulations

We are not aware of any laws or regulations specific to the operation of a Gus's Restaurant that do not apply to other businesses generally or to other food service establishments. We are not presently aware of any other regulations or special permits or licenses required for you to operate your Gus's Restaurant; however, you should inquire with your state and local authorities to ensure that your Gus's Restaurant complies with all applicable laws and regulations. You acknowledge that: (i) federal, state and local governments administer and enforce regulations that include standards, specifications and requirements for the construction and maintenance of your Premises; fire safety, general emergency procedures, and customer/employee safety regulations; and, specifications and requirements that govern food preparation and health and restaurant sanitary conditions; (ii) OSHA and health regulations as well as state and local safety and workplace regulations may impact the types of safety training, safety devices, and safety equipment you must make available to or must offer your employees; (iii) the U.S. Food & Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce regulations related to the storage and disposal of waste, cleaning supplies, and other hazardous materials; (iv) the Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles; (v) certain state and local governments have also adopted proposals that regulate indoor air quality, including no smoking policies; (vi) there are federal and state product liability and product warranty laws; and (vii) you must comply with all city, state, county and federal laws, regulations and licensing requirements related to the offer and sale of beer at the Gus's Restaurant. You will comply with all of these laws and regulations and all other applicable laws and regulations relating to the operation of the Gus's Restaurant.

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally, like the Americans with Disabilities Act, the Federal Wage and Hour Laws and the Occupation, Health and Safety Act also apply to restaurants. However, other laws, rules and regulations have particular applicability to restaurants and especially restaurants that offer beer. The Federal Affordable Care Act of 2010 includes nutrition information to be provided to customers and menu labeling requirements for restaurants having over 20 units.

Since the Business System includes the sale of beer along with the food, you have to comply with laws specifically governing food service businesses and laws governing the retail sale of alcoholic beverages. The difficulty and cost of obtaining a beer or liquor license, and the procedures for securing the license, vary greatly from area to area. There is wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, state dram shop laws may give rise to potential liability for injuries that are related to the sale and consumption of alcohol. These laws generally require that, in order to qualify for obtaining a beer license, the owner of the license must be of good moral character and at least 21 years of age. Corporate license holders must have all officers be of good moral character and at least 21 years of age. In addition, beer licenses are generally not issued to any person who has been convicted of any offense against any state's or the federal government's beverage laws or been convicted of prostitution-related offenses, disorderly conduct, drug offenses, etc. Officers of corporate license holders must also be free of these convictions. In addition, persons or corporations who have previously had a liquor license revoked or suspended will not generally qualify for the issuance of a beer license. We do not accept responsibility for your failure to obtain a beer license. If you fail to obtain a beer license, we have no obligation to refund any fees you have paid to us other than as stated in your Franchise Agreement. There may be other laws in your state addressing food-service establishments, such as requirements for restrooms, food preparation, sanitation, etc. You are responsible for compliance with these laws.

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

Competition

You will have to compete with other businesses selling similar products and services. The Gus's Restaurants compete with other national and local restaurants that provide similar food, beverages and services to the general public. Your direct competitors include other restaurants in the area of your Gus's Restaurant. We believe, however, that the Gus's Restaurants have particular appeal because of their distinctive atmosphere and high quality fried chicken. Each Gus's Restaurant is designed as an attractive, friendly establishment in a fun, casual setting. We believe that a comfortable, warm atmosphere combined with friendly service and high quality fried chicken appeals to all ages and encourages regular patronage by patrons of all demographics as well as both families and adult groups.

Prior Business Experience

Our Prior Business Experience. We have not conducted a business of the type you will operate. We began selling Gus's Franchises in January 2013. We are not in any other line of business. Our President, Wendy McCrory, has operated the type of business you will operate since 2001 located as follows:

Wendy's on Center, Inc.	215 South Center Street Collierville, TN 38017 (901) 853-6005
Wendy's on Front, Inc.	310 South Front Street Memphis, TN 38103 (901) 527-4877

Our Predecessor's Prior Business Experience. Napoleon Vanderbilt opened "Maggie's Short Orders" with his wife, Maggie Vanderbilt in 1973. In 1983, both Maggie and Napoleon passed away, leaving their restaurant to their child, Vernon "Gus" Bonner. Gus and his wife Gertrude reopened the restaurant in 1984 under the name "Gus's World Famous Fried Chicken" (the "Founder's Restaurant"). The Founder's Restaurant continues to be operated by the Predecessor. Our President, Wendy McCrory, contacted the Bonner family in late 2000 about opening a Gus's World Famous Fried Chicken franchise in Memphis. On April 10, 2001, Mr. and Mrs. Bonner formed the Predecessor as described above and began offering Gus's World Famous Fried Chicken franchises of the type you will operate. In November 2001, the first Gus's World Famous Fried Chicken franchise owned by a company owned by our President, Ms. McCrory, opened for business. There were additional Gus's World Famous Fried Chicken Franchises sold by the Predecessor in the State of Tennessee through June, 2012. The Predecessor has not sold franchises in any other line of business.

On June 4, 2012, the Predecessor and our Parent entered into an asset purchase agreement by which our Parent was granted the exclusive right, license and privilege of utilizing the Business System, Confidential Information and copyrighted works in the ownership and operation of Gus's

Restaurants and the marketing, advertising and sale of Gus's Development Rights and Gus's Franchises throughout the world. Also, effective June 4, 2012, by a separate assignment of trademarks, the Predecessor assigned, transferred, set over and delivered to our Parent (which subsequently assigned to our affiliate, Gus's IP, and in turn was licensed to us pursuant to the IP License Agreement), all of the Predecessor's right, title and interest in and to the all of the trademarks employed by the Predecessor, including the trademark, "Gus's World Famous Fried Chicken."

The Predecessor retained ownership rights in the Business System, Confidential Information and copyrighted works until we completed the purchase on July 21, 2014. Pursuant to the completion of the transaction with the Predecessor on July 21, 2014, we also assumed the Predecessor's rights, as franchisor, under the franchise agreements for the 2 restaurants owned by Wendy's On Front, Inc., and Wendy's On Center, Inc., and 3 other franchise agreements, which are described in Exhibit K. The Predecessor has retained ownership of the Founder's Restaurant and the right to continue to operate the Founder's Restaurant subject to the terms and conditions set forth in a royalty-free license agreement with us, under which we have no obligation for ongoing support or assistance. The Founder's Restaurant is not part of our franchise system. We have agreed not to open a Company-Owned Unit or Franchised Unit within 30 miles of the Founder's Restaurant, except for any area that falls within Shelby County, Tennessee, or within the State of Arkansas or the State of Mississippi.

ITEM 2 - BUSINESS EXPERIENCE

Managing Members, Officers and Other Executives

Wendy McCrory, President. Ms. McCrory has been our President since our organization on August 29, 2012. Ms. McCrory is also the President and a principal shareholder of Wendy's On Front, Inc. and Wendy's on Center, Inc., the owners/operators of Gus's Restaurants in downtown Memphis, Tennessee since November 2001 and in Collierville, Tennessee since February 2007, respectively.

Eddie LaPlante, Executive Vice President. Mr. LaPlante has been our Executive Vice President since January 2016.

Bradley S. Turner, Chief Financial Officer. Mr. Turner has been our Chief Financial Officer since October 2016. Mr. Turner is currently licensed as a Certified Public Accountant by the State of Tennessee.

Mathew McCrory, Vice President-Operations. Mr. McCrory has been our Vice President-Operations since our organization on August 29, 2012. Mr. McCrory is also the Vice President and a principal shareholder of Wendy's On Front, Inc. and Wendy's on Center, Inc., the owners/operators of Gus's Restaurants in downtown Memphis, Tennessee since November 2001 and in Collierville, Tennessee since February 2007, respectively.

Mercedes Hawkins – Implementation Manager and Assistant to Operations. Ms. Hawkins has been our Implementation Manager and Assistant to Operations since our organization on August 29, 2012. Ms. Hawkins has been the General Manager at Gus's Restaurant in downtown Memphis, Tennessee since 2006.

ITEM 3 - LITIGATION

Prior Actions

Terrapin Restaurant Partners, LLC, a Maryland limited liability company and Penn Restaurant Group, LLC, a Delaware limited liability company v. Gus's Franchisor, LLC, a Delaware limited liability company and Wendy McCrory filed in the Circuit Court for Prince Georgia's County, Maryland, Case No. CAL20-11219 (the "Maryland Litigation"). On April 2, 2020, Terrapin Restaurant Partners, LLC, one of our partially-documented Franchisees ("Terrapin") and Penn Restaurant Group, LLC ("Penn"), one of our former developers, filed a Complaint against us and Ms. McCrory alleging breach of contract, fraud, detrimental reliance, fraudulent inducement and negligent misrepresentation. All of the claims in this lawsuit have been referred to an arbitration proceeding that is pending in Shelby County, Tennessee. This was ordered by the U.S. District Court for the Western District of Tennessee. This matter has been concluded. The Maryland court dismissed this case with prejudice.

Gus's Franchisor, LLC, a Tennessee limited liability company v. Terrapin Restaurant Partners, LLC, a Maryland limited liability company, and Mark Dawejko. In the United States District Court for the Western District of Tennessee, Civil Action No. 20-cv-02372 (the "Tennessee Litigation"). In response to Terrapin's lawsuit against us, we filed a complaint against Terrapin and Mark Dawejko ("Mr. Dawejko"), the guarantor of Terrapin's obligations to us, alleging breach of contract, trademark infringement, misappropriation of trade secrets, trade dress infringement, and unfair competition arising from Terrapin's breach of its franchise agreement and personal guaranty resulting in termination and Defendants' post-termination operation of an unauthorized Gus's World Famous Fried Chicken® utilizing the Plaintiff's principal trademarks, trade secrets, confidential information, proprietary business system and trade dress. We also filed a Motion for Temporary Restraining Order and Preliminary Injunction. The Court held a Telephonic Hearing to discuss the Plaintiff's application for a TRO on Friday, May 29, 2020. The Court ordered the Defendants Terrapin Restaurants Partners, LLC, Mark Dawejko, and Terrapin's subsidiaries, affiliates, officers, agents, and employees, be temporarily restrained:

(i) from using Gus's trademarks or service marks, including the Gus's World Famous Fried Chicken trademarks and service marks, or any variant thereof which is a colorable imitation of or otherwise likely to be mistaken for or confused with or dilute the distinctiveness of Gus's trademarks and service marks;

(i) from maintaining any signs, menus, fixtures, furniture, furnishings, or other materials that display or contain the Gus's World Famous Fried Chicken marks and trade name, or any colorable imitation thereof, and from maintaining any aspects of interior and exterior décor of the restaurants operated by the Defendants that identify or relate to Gus's trade dress or a Gus's World Famous Fried Chicken restaurant;

(ii) from offering to the public Gus's secret recipes provided to the Defendants during the franchise relationship at the restaurant being operated by the Defendants;

(iii) from disclosing trade secrets set forth in the Gus's Operating and Procedures Manual and other writings provided to Defendants;

(iv) from representing the restaurant operated by the Defendants as being in any way associated with Gus's World Famous Fried Chicken or its franchise system; and

(v) requiring the Defendants to file with the Court, within 15 days of entry of the Court's temporary and preliminary injunction, a signed and notarized report showing Defendants' compliance with the Court's injunction, including color pictures depicting Defendants' de-identification of the restaurant they operate.

This matter has been settled under terms favorable to Gus's Franchisor, LLC, and has been dismissed with prejudice.

Gus's Franchisor, LLC v. Terrapin Restaurant Partners, LLC and Penn Restaurant Group, LLC, pending before The Arbitration Tribunals of the American Arbitration Association, AAA Case No. 01-20-0007-3045 (the "Arbitration"). We filed the same claims as in the Maryland Litigation.

On August 19, 2021, the parties entered into a Mutual Settlement Agreement and Release of All Claims (the Settlement Agreement"). We agreed to pay Dawejo, and no other party, $135,000. The parties dismissed with prejudice the Maryland Litigation, Tennessee Litigation, Arbitration Litigation and Arbitration. Each party was responsible for its own attorneys' fees in the Maryland Litigation, Tennessee Litigation, Arbitration Litigation and Arbitration. The costs in the Maryland Litigation have been paid by Dawejko. The costs of the Tennessee Litigation, the Arbitration Litigation and the Arbitration have been paid by us. Dawejko, Terrapin and Penn agreed and acknowledged that the Consent Permanent Injunction ("CPI") entered by the United States District Court in the Tennessee Litigation remains in full force and effect and they are bound by its terms. We agreed that, if we believe that the CPI has been violated, we will give Dawejko, Terrapin and Penn 15 days' written notice of any violation to be cured before seeking to enforce its terms. As of the date of this FDD, no violation of the CPI exists.

The arbitration was dismissed as part of the above-referenced settlement.

Except for these 2 actions, no litigation is required to be disclosed in this ITEM.

ITEM 4 - BANKRUPTCY

No bankruptcy is required to be disclosed in this ITEM.

ITEM 5 - INITIAL FEES

Initial Franchise Fee

The Initial Franchise Fee for the first Gus's Restaurant is $75,000.

Initial Franchise Fee for Purchase of Additional Franchise

The Initial Franchise Fee is reduced to $70,000 for existing franchisees purchasing their 2nd Gus's Restaurant and $65,000 for their 3rd or more Gus's Restaurant. If you purchase 3 or more Franchises in advance, you will pay us Initial Franchise Fees of $75,000 for the 1st Gus's Restaurant, $65,000 for the 2nd Gus's Restaurant and $55,000 for the 3rd Gus's Restaurant and each additional Gus's Restaurant. These Initial Franchise Fees will be payable to us at the time you sign the Franchise Agreements for each Gus's Restaurant. In consideration for the payment of Initial Franchise Fees in advance, we will reduce the Royalty Fee from 6.5% to 5.5%.

Development Fee

When you sign the Development Agreement, you will pay us a development fee (the "Development Fee") equal to $10,000 times the number of Gus's Restaurants (other than the 1st Gus's Restaurant) you agree to develop under the Development Agreement. When you sign a Franchise Agreement for each Gus's Restaurant developed (other than the 1st Gus's Restaurant), you will receive a credit of $10,000 against the Initial Franchise Fee then due. We fully earn the Development Fee and it becomes non-refundable except as set forth below.

Refund of Initial Fees

We fully earn the Initial Franchise Fee and it becomes non-refundable, except as provided below for your 1st Franchise. If: (i) any Trainee who is required to successfully complete our initial training program to our satisfaction and fails to do so or (ii) you fail to obtain an approved site for the Gus's Restaurant within 90 days from the Agreement Date, we may elect to terminate the Franchise Agreement. If we terminate the Franchise Agreement for either of these reasons, we will refund the Initial Franchise Fee less an appropriate portion of the Initial Franchise Fee to cover our costs and expenses we have incurred for the assistance we have provided to you under the Franchise Agreement and for our lost opportunities. We will also refund any Development Fee. You must also sign the Franchise Termination and Mutual Release Agreement included as Exhibit N.
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Uniformity of Initial Fees

The Development Fee and Initial Franchise Fee are uniform to all Franchisees currently purchasing Development Rights and/or a Franchise Business. All other fees may not be uniform.

ITEM 6 - OTHER FEES

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
Royalty Fee[1]	6.5% of monthly Gross Revenues for the 1st Franchise Business; 6.0% of monthly Gross Revenues for the 2nd Franchise Business; and 5.5% of monthly Gross Revenues for the 3rd or more Franchise Businesses	Payable monthly on the 10th day of the month following the subject month and based on the previous month's Gross Revenues	"Gross Revenues" means the entire amount of all your revenues generated from the ownership or operation of the Gus's Restaurant as more particularly defined in the Franchise Agreement.
Advertising Contributions to the Advertising Fund[1]	1.5% of monthly Gross Revenues	Payable monthly on the 10th day of the month following the subject month based on the previous month's Gross	We have not yet created the Advertising Fund. We define "Gross Revenues" under Royalty Fee above.

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
		Revenues	
Regional Cooperative Advertising[2]	As determined by the members of the Cooperative (not less than ½% nor more than 2% of weekly Gross Revenues)	Within 10 days of the end of the previous calendar month	We have not established cooperatives. Once formed, Company-Owned Units have the same voting power as Franchised Units. We will credit your payments to the Cooperative against your Local Advertising and Traditional Local Advertising expenditures.
Supplier Approval Cost[1]	Actual Costs to Us (up to $1,000)	Immediately upon receipt of invoice	You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (not to exceed $1,000)
Training Fees[1]	$500 per day	Immediately upon receipt of invoice	For any Initial Training required for each additional Trainee over 8, any new Managers, or for refresher or additional training we offer or require, you must pay our standard training fee (currently $500 per day). You are solely responsible for all travel, meals and lodging costs for your attendees.
Fees for Special Assistance[1]	$500 per day	Immediately upon receipt of invoice	If you request, we will furnish non-routine guidance and assistance to deal with your unusual or

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses we establish (currently $500 per day).
Insurance Coverage[1]	Cost of the insurance, interest on the monies we advance and a 15% administrative fee	Immediately upon receipt of invoice	If you fail to maintain the insurance that we require under the Franchise Agreement, we may obtain the insurance on your behalf.
Custom Home Page and E-mail Address Fee[1]	If we provide a custom Home Page and/or E-mail Address to you, you will pay a fee (currently $25.00 per month).	Within 10 days of the end of the previous calendar month	The fee includes a customizable Home Page hosted on our Website and/or an e-mail address.
Reimbursement of Audit Costs[1]	Actual cost to us (estimated to range from $2,000 to $10,000)	Immediately upon receipt of invoice	We have the right to have an audit made of your records and conduct a physical inventory. If any inspection discloses an understatement of any reported amount of any type, in any report, of 2% or more of Gross Revenues, you will pay us the amount of the understatement and reimburse us for all expenses of the inspection (including reasonable accounting and attorneys' fees and costs).
Deficiencies[1]	Actual cost to us	Immediately upon receipt of invoice	If you do not satisfy your obligations

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			under the Franchise Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations plus a 15% administrative fee.
Management Fee1	$500 day	Monthly	If we elect to operate your Gus's Restaurant under the Franchise Agreement, we will account to you or your estate for all net income from the operation less our reasonable expenses incurred and a management fee for our management of your Gus's Restaurant. Our operation and management will not continue for more than 30 days, but will be renewable as necessary for up to 1 year. We will periodically discuss the status with you or the representatives of your estate.
Our Attorneys' Fees[1]	As incurred	Immediately upon receipt of invoice	If after the Franchise Agreement is signed: (i) you request our written consent to any action of yours; or (ii) we have our attorney prepare a letter, notice of default or notice of termination to you, you agree to reimburse us for our

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			attorneys' fees and costs.
Transfer Fee[1]	$500 or $12,500	When you transfer	If we permit you to transfer the Franchise Agreement under Subsection 10.2(b) of the Franchise Agreement, you will pay us a Transfer Fee of $500. If you sell or transfer your Gus's Restaurant under Subsection 10.2(g) of the Franchise Agreement, you must pay us a Transfer Fee of $12,500 payable as set forth in the Franchise Agreement.
Relocation Fee[1]	Our costs incurred in assisting you with relocation	When you relocate	If you must relocate your Gus's Restaurant, you will reimburse us for our costs incurred in assisting you with relocation (but not to exceed $2,500).
Fee for Lost Operations and Policies Manual[1]	$250	Immediately upon receipt of invoice	Upon the theft, loss or destruction of any of the Operations and Policies Manual, we will loan you a replacement copy. We consider a partial loss or failure to update any of the Operations and Policies Manual as a complete loss.
Interest on Late Payments and insufficient funds charges[1]	The lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.	Immediately upon receipt of invoice	If any payment under the Franchise Agreement or any other agreement between us and you is overdue for any reason, you must pay

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			to us, on demand, in addition to the overdue amount, any insufficient funds (NSF) charges we incur and interest on the overdue amount from the date it was due until paid equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.
Late Charge[1]	$150	Immediately upon receipt of invoice	In addition to interest on overdue amounts, you will pay a late charge for each payment more than 10 days overdue to cover our administrative costs in dealing with the late payment.
Liquidated Damages for Opening Without Our Consent[1 and 3]	$500 per day	Immediately upon receipt of invoice	You agree not to open your Gus's Restaurant for business before we have given you our written consent.
Liquidated Damages for Sale of Prohibited Products or Services[1 and 3]	$1,000 per day if you offer unauthorized products or services	Immediately upon receipt of invoice	You agree that the offer to sell or the sale of unauthorized or prohibited products and services will result in damages to us.
Liquidated Damages for Premature Termination[1 and 3]	A lump sum equal to the total of all Royalty Fees and Advertising Contributions for 36 months	Immediately upon receipt of invoice	This amount is due if you default under your Franchise Agreement in lieu of us having to sue and prove our actual damages. You are also liable for

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			pre-judgment and post-judgment interest and our attorneys' fees and costs. Other than a claim for monetary damages or lost profits, this payment is not exclusive of any other remedies that we have including a right to injunctive relief. This payment does not relieve you from your obligations that survive the termination or expiration of the Franchise Agreement including the obligations of indemnification, confidentiality and non-competition.
Indemnification[1]	Actual cost to us	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs), from claims brought by third parties involving your ownership or operation of your Gus's Restaurant. This indemnity obligation continues in full effect after the expiration or termination of your Franchise Agreement.
Enforcement Costs[1]	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your Franchise Agreement, or for an

COLUMN 1 TYPE OF FEE	COLUMN 2 AMOUNT	COLUMN 3 DUE DATE	COLUMN 4 REMARKS
			alleged dispute, breach, default or misrepresentation under any provision of your Franchise Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Franchise Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Franchise Agreement, you must reimburse us for all of the Enforcement Costs we incur.

[1] This fee is payable to us.
[2] This fee is payable to the Cooperative.

DEVELOPMENT AGREEMENT

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Interest on Late Payments[1]	The lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law.	Immediately upon receipt of invoice	If any payment under your Development Agreement or any other agreement between you and us or our Affiliates is overdue for any reason, you must pay to us, on demand, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid.
Late Charge[1]	$150	Immediately upon receipt of invoice	In addition to interest on overdue amounts, you will pay a late charge for each payment that is more than 10 days overdue to cover our administrative costs in dealing with the late payment.
Enforcement Costs[1]	Actual cost to us	Immediately upon receipt of invoice	If any arbitration, legal action or other proceeding is begun for the enforcement of your Development Agreement, or for an alleged dispute, breach, default or misrepresentation under any provision of your Development Agreement, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs. If we engage legal counsel for your failure to pay when due any monies owed under your Development Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with your Development Agreement, you must reimburse us for all of the Enforcement Costs we incur.
Indemnification[1]	Actual cost to us	Immediately upon receipt of invoice	You indemnify and hold us harmless from all damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings), from claims brought by third parties involving your ownership or operation of your Gus's Restaurants. This indemnity obligation continues in full effect after the expiration or termination of your Development Agreement.

[1] This fee is payable to us.

Payments by EFT

You will open a separate operating account with a bank for the Gus's Restaurant. You will make all payments to us and our Affiliates by pre-authorized transfers from the operating account by electronic fund transfers that we process at the time any payment is due in accordance with the Electronic Transfer of Funds Authorization included in Exhibit F.

Nonrefundable

All fees are nonrefundable.

Uniformity

The expenses in this ITEM 6 are uniform for persons currently offered a Franchise or Development Rights.

Advertising Cooperatives – Voting Power of Company-Owned Units

We have not established advertising cooperatives. Once formed, Company-Owned Units whose exclusive territories are in located within the DMA of the advertising cooperative must join the advertising cooperative and will have the same voting power as Franchised Units. "DMA" means a Designated Marketing Area, which is a geographic area defined by Nielsen Media Research Company as a group of counties that make up a particular television market. These counties comprise the major viewing audience for the television stations located in their particular metropolitan area. For the most part, the metropolitan areas correspond to the standard metropolitan statistical areas defined by the Federal Government Office of Management and Budget. The areas do not overlap, and every county in the United States belongs to only one DMA. If we create advertising cooperatives, the obligation of each Unit to contribute to an advertising cooperative will be 2% of monthly Gross Revenues. We will credit these contributions against your obligation for Local Advertising.

ITEM 7 – ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – FIRST SINGLE UNIT FRANCHISE

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT	COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[1]	$75,000	Lump Sum	On signing the Franchise Agreement	Us
Grand Opening Advertising Fee [2]	$0 to $7,500	As Incurred	During the month before beginning business	Various contractors/ Suppliers
Prepaid Rent and Security Deposit[3]	$5,000 to	As Incurred	Before beginning	Per agreement with landlord

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT	COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	$25,000		business	
Leasehold Improvements[4]	$200,000 to $700,000	As Incurred	Before beginning business	Various contractors/suppliers
Furniture, Fixtures, Equipment and Decor[5]	$175,000 to $250,000	As Incurred	Before beginning business	Third Party Vendors
POS System[6]	$15,000, to $25,000	Lump Sum	Before beginning business	Approved Suppliers
Signage[7]	$5,000 to $15,000	Lump Sum	Before beginning business	Third Party Vendors
Utility Deposits[8]	$500 to $5,000	Lump Sum	Before beginning business	Utility companies
Smallwares[9]	$5,000 to $7,500	As Incurred	Before beginning business	Approved Suppliers
Opening Inventory[10]	$8,000 to $12,000	Lump Sum	Before beginning business	Approved Suppliers
Office and Restaurant Supplies[11]	$2,000 to $4,000	As Incurred	Before beginning business	Approved Suppliers
Insurance[12]	$1,000 to $5,000 (not including the costs of workers' compensation insurance)	Lump Sum	Before beginning business	Insurance Agent or Company

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT	COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
Licenses and Permits[13]	\$2,500 to \$5,000	As Incurred	Before beginning business	Governmental Authorities
Attorney's Fees[14]	\$2,500 to \$7,500	Lump Sum	Before beginning business	Attorney
Accountant's Fee[15]	\$1,000 to \$3,000	Lump Sum	Before beginning business	Accountant
Travel, Lodging, Meals, Etc. for Initial Training[16]	\$5,000 to \$12,000	As Incurred	Before Beginning Business	Airlines, Hotels and Restaurants
Additional Funds[17] (3 months)	\$75,000 to \$125,000	As Incurred	During the first 3 months of operation	Third Parties
TOTAL	**\$577,500 to \$1,283,500**			

NOTES

[1] **Initial Franchise Fee** The Initial Franchise Fee for the first Gus's Restaurant is \$75,000. The Initial Franchise Fee is reduced to \$70,000 for existing Franchisees purchasing their 2nd Gus's Restaurant and \$65,000 for existing Franchisees purchasing their 3rd or more Gus's restaurant. If you purchase 3 or more Franchises in advance, you will pay us Initial Franchise Fees of \$75,000 for the 1st Gus's Restaurant, \$65,000 for the 2nd Gus's Restaurant, and \$55,000 for the 3rd Gus's Restaurant and each additional Gus's Restaurant.

[2] **Grand Opening** We require you to budget up to \$7,500, primarily to be spent on food tastings and food donations, during the 90-day period beginning 45 days before the opening of a Gus's Restaurant and, upon our request, provide to us proof of these expenditures. In addition, you must perform opening advertising and promotions as required by your Franchise Agreement if you relocate the Gus's Restaurant or reopen the Gus's Restaurant after it has been closed for 30 days or more. Although you may not incur expenditures specific to a Grand Opening, we nevertheless require you to budget up to \$7,500 for other pre-opening expenses.

[3] **Rent and Security Deposit** We expect that you will lease rather than own real estate and construct a building. The space should be between 2,400 sq. ft. and 3,600

sq. ft. We assume that the landlord will require 1st and last months' rent and a security deposit equal to 1 months' rent. In addition, rent may be subject to tax. Lease costs will vary based upon variances in: (i) size in square feet leased; (ii) cost per square foot; (iii) amount of percentage rent, if any; (iv) the sales figure that percentage rent begins to apply; (v) common area maintenance costs; and (vi) merchant's association costs. These variances are determined by location, the length of the lease, the age of the leased property, local market conditions, the size of the Premises and the bargaining power of the developer or the property management company. Frequently, developers will attempt to discuss rent as a percentage of gross receipts as expressed in a cost per square foot. They see costs expressed as a percentage of gross revenues.

[4] **Leasehold Improvements** You must conform the location to our then-current Trade Dress specifications. We assume your location will be between 2,400 sq. ft. and 3,600 sq. ft. and the costs of improvements will range between $60 to $200 per square foot. The cost of leasehold improvements for your Gus's Restaurant will vary as a function of size, condition and location of the Premises, level of finish, price differences among contractors, local wage rates and material costs, other local conditions and the nature of your leasehold improvements. The previous tenant or the landlord may have installed leasehold improvements that are very compatible and reduce your costs. The amounts may be less if the location is currently operating as an existing restaurant. All leasehold improvements relate to conforming the Premises to our current standards for layout, traffic flow, merchandising, Trade Dress, and other specifications.

[5] **FF&E** You must purchase and/or lease and install the furniture, fixtures, equipment and décor necessary to operate your Gus's Restaurant in accordance with our then-current Trade Dress specifications. The costs will vary according to local market conditions, the size of the Premises, your selections made from our approved line of items, price differences among suppliers, the location of the Premises and other related factors. You can expect initial cash outlays to be lower if you lease the items rather than purchase them or if any compatible items are included with the lease for the Premises. Items such as ovens, fryers and kitchen appliances are included in FF&E.

[6] **POS System** We believe that computers and management information systems play a critical part in the performance of the Gus's Restaurant and Business System. We require that all new Gus's Restaurants open with the onePOS point of sale system ("POS System") which must be purchased from our Designated Supplier along with all communication, peripheral equipment and related accessories and software we mandate.

[7] **Signage** We specify the outdoor and indoor signs and graphics. You must prepare, construct and erect the signs and graphics after obtaining approval from the applicable governmental authority and the landlord. You will maintain the signs and graphics in a condition acceptable to us.

[8] **Utility Deposits** You will incur certain deposits with local utilities, *e.g.,* electric, telephone, gas, water, etc. These will vary depending on the policies of the local utilities.

[9] **Smallwares** You must purchase from Approved Suppliers the smallwares set forth in the Operations and Policies Manual. Examples of such smallwares include measuring spoons, measuring cups, oven mitts, food storage containers, mixing bowls, stock pots, colanders, steam table pans, frying pans and serving spoons.

[10] **Opening Inventory** The opening inventory must be sufficient to meet the anticipated needs of the Gus's Restaurant. Opening inventory includes food ingredients including our proprietary batter, paper goods, chemical cleaners and various other items essential to the opening of a Gus's Restaurant.

[11] **Office and Restaurant Supplies** We will only allow office and restaurant supplies to use in the operation of the Franchised Business that support the image and positioning of the Business System in the marketplace as specified in the Operations and Policies Manual.

[12] **Insurance** As discussed in ITEM 8, we require that you carry certain insurance specified in the Operations and Policies Manual. The method and timing of payments is between you and your insurer. Because the selection of the carrier, size of the Premises, location of the Premises, value of the leasehold improvements, amount of inventory, amount of wages and other related conditions vary considerably, it is difficult to estimate the ultimate cost to any given franchisee. In light of the availability of insurance, we estimate the total cost with the caution that you should obtain quotes from carriers of choice before proceeding. Our estimate is $1,000 to $5,000 per year for insurance coverage other than for workers' compensation insurance. The cost and specifications for workers' compensation insurance is particular to the state in which you are located and is generally based on gross annual salaries or wages incurred by your Gus's Restaurant, exclusive of payments to you. The cost of workers' compensation insurance varies from state to state. Please discuss the costs of workers' compensation insurance with your insurance agent or advisor.

[13] **Licenses and Permits** Local, municipal, county and state regulations vary on what licenses and permits (*e.g.*, occupancy permits, business license, beer license, etc.) you must obtain to operate a Gus's Restaurant and resulting fees, payments and taxes your Franchised Unit will be subject (*e.g.,* sales taxes, personal property taxes, etc.).

[14] **Attorney's Fees** You must sign the Franchise Agreement individually. You may decide to form a Business Entity to operate the Gus's Restaurant before beginning operations. You will have to comply with the fictitious, assumed, or trade name statutes of the state in which the Gus's Restaurant will be located. These estimates include attorneys' fees, publication fees, filing fees and other costs for incorporation, compliance with your state's fictitious or assumed name statute, review of this Franchise Disclosure Document, and lease review and negotiation, depending on the scope of representation. These fees may vary from state to state depending on each state's laws and the prevailing rates of attorneys' fees.

[15] **Accountant's Fees** We recommend that you retain an accountant to advise you on matters including the preparation of a business plan, tax issues regarding

Business Entity formation, the set up of an accounting system, tax planning and compliance.

[16] **TL&M** There is no additional training fee for your first 8 Trainees. You must send at least 4 Trainees including you or your Designated Representative, the Manager and 2 assistant managers. You will be responsible for all travel, meals, lodging and out-of-pocket expenses, workers' compensation insurance and all employee compensation along with federal and state taxes for the Trainees plus a training fee of $500 per day per Trainee above 8 Trainees. We assume no responsibility for your human resource-related liabilities or costs during Initial Training. The typical costs of training that you will bear are the Training Fees, travel expenses, lodging, compensation and meals for the Trainees. The estimate is for items that are non-discretionary in nature. Generally, these costs vary widely as a function of the distance traveled, the accommodations selected, the restaurants eaten in, the distance between the hotel and the training center and the transportation selected.

[17] **Additional Funds** You should have adequate working capital before beginning operation of the Gus's Restaurant. Working capital should be sufficient to keep the Gus's Restaurant in operation for 3 months and capable of covering the excess of expenses over cash flow from the Gus's Restaurant including employee salaries and taxes, inventory replenishment, insurance premiums, rent, utilities and other normal expenses that are associated with the day-to-day business operation of the Gus's Restaurant. You must be able to meet operating expenses from pre-opening, including hiring and training expenses, until the Gus's Restaurant develops sufficient cash flow to cover all costs. These figures do not include any payments to you during the start-up period. You must have sufficient personal resources to cover your living expenses. You should work with your accountant to develop a personal/family cash flow budget and determine if there is sufficient revenue on the personal level to provide for your family through the start-up period. Clearly, additional capital requirements will be a function of your decisions regarding nearly every aspect of your Gus's Restaurant, *e.g.,* the size of the payroll, rent, utilities, size of the operation and many other expenses that you decide to incur.

Refundability

To the best of our knowledge, except as described above, these expenditures are not refundable.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT	COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
Development Fee	$10,000 for each Gus's Restaurant to be developed (other than the first Gus's restaurant) credited against Initial Franchise Fees).	Lump Sum	On signing the Development Agreement. You must also purchase your 1st Franchise and pay us the $75,000 Initial Franchise Fee	Us
Initial Investment for 1st Franchised Unit	$577,500 to $1,283,500	As Incurred	As stated in invoices	Us and other Suppliers

Our Experience in Compiling these Estimates

We relied on our principals' 22 years' experience in the fried chicken restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decisions to purchase a Gus's Restaurant.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

FRANCHISE AGREEMENT

Purchases from Us, Our Designee or Approved Suppliers or Under Our Specifications

You must purchase or lease the following goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items related to establishing or operating your Gus's Restaurant from us, from our designee, from suppliers we approve or under our specifications:

Purchases from Us or an Affiliate

There are no items that you must purchase from us or an Affiliate.

Purchases from Our Designated Suppliers

A Designated Supplier is one particular supplier from whom you must purchase certain goods or services. At present, the following are our Designated Suppliers:

Proprietary Batter

You must purchase our proprietary batter from Taste Maker Foods, LLC.

Branded Merchandise

You must purchase certain branded products such as branded shirts and hats from Parker Prints, Inc as well as all business cards, stickers and magnets from Paulsen Printing Company.

Beverages

You must purchase your beverages from Coca-Cola and Dr. Pepper, and your Iced Tea from S&D.

Cleaning Supplies

You must purchase your cleaning supplies from EcoLab.

Food

You must purchase your Gus's Mac & Cheese from JTM Food Group.

Linen Service

You must use Unifirst for your linen service.

Menus

You must use FedEx Office and Print Services, Inc. for your menus.

POS System

You must purchase your onePOS, LLC POS System from EBTF, LLC (doing business as "Everything But the Food").

Software

You must purchase your financial software from Restaurant365, LLC.

We may change the Designated Suppliers and/or the items you must purchase from our Designated Suppliers based on our experience.

Purchases from Approved Suppliers

You must purchase or lease equipment, supplies, inventory, advertising materials, construction services and other products and services used for the operation of your Gus's Restaurant only from Approved Suppliers. These Approved Suppliers have demonstrated: (i) the ability to meet our standards and specifications for these items; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; and (iii) have been approved in writing by us and not later disapproved. We will use our best reasonable efforts to negotiate agreements with Approved Suppliers that, in our good faith belief, are in the best interest of all Gus's Restaurants. We may approve a single Designated Supplier for any brand and may approve a Designated Supplier only as to a certain brand or brands. We retain the right to receive compensation from these Designated and Approved Suppliers for our negotiation. In approving suppliers for the Business System, we may take into consideration factors like the price and quality of the products or services and the supplier's reliability. We may concentrate purchases with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services. We may condition approval of a supplier on our requirements on the frequency of delivery, standards of service, warranty policies including prompt attention to complaints, and concentration of purchases. We may grant temporary approval pending our additional evaluation of the supplier.

<u>No List of Approved Suppliers</u>

We do not currently maintain a list of Approved Suppliers nor do we currently maintain criteria for approving suppliers. Any supplier who is able to provide goods, services, fixtures, equipment, inventory, etc. meeting our specifications may be considered by us to become an approved supplier.

<u>Related Suppliers</u>

No officer of ours has an ownership interest in any other supplier.

<u>Approval of Alternate Suppliers</u>

<u>Criteria</u>. Our criteria for alternate supplier approval are not available to you.

<u>Contact with Alternate Suppliers</u>. If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services or other products or services that are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us a written request for approval, or request the supplier to do so itself.

<u>Procedures for Our Approval</u>. We have the right to require, as a condition of our approval, that the supplier permit our representatives to inspect its facilities. If we request, the supplier will deliver samples to us or to our designated independent, certified laboratory for testing. We are not liable for damage to any sample that may result from the testing process.

<u>Fees</u>. You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (not to exceed $1,000). We may also require as a condition to its approval, that the supplier present satisfactory evidence of insurance (for example, product liability insurance) protecting our Franchisees and us from all claims from the use of the item within the Business System.

<u>Time Period for Notices</u>. We will give you written notice of our approval or disapproval by regular mail within 10 days after all testing and completion of the above conditions.

<u>Right of Revocation</u>. We reserve the right to reinspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense. We reserve the right to revoke approval upon the supplier's failure to continue to meet our standards and specifications. You will receive written notification of approval or disapproval of a supplier within

7 days after we have investigated and inspected the supplier.

Purchases Under Our Specifications

We have developed specifications for a number of goods and services. Specifications are available upon request and include minimum standards of quality, construction, economies of scale, name recognition, appearance and function. We may change our specifications as a result from our experience and/or changes in the market place or changes in law. We will issue any changes to all Franchisees through changes to the Operations and Policies Manual. The categories for these purchases or leases are as follows:

Purchase of Site

If you intend to purchase the site for the Gus's Restaurant, you must submit the purchase agreement to us for our written approval. You are solely responsible for securing any necessary purchase, construction, permanent or other financing of the site and the Premises. Once you acquire ownership of the Premises, you will enter into with us the Agreement with Landlord, both as landlord and as the Franchisee, in the form included as Exhibit I.

Lease of Premises

Any lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when the property owner, you and us sign our form of Agreement with Landlord attached as Exhibit I to the Franchise Disclosure Document. We do not represent that we have any special expertise in negotiating leases. You agree that our approval or disapproval of a proposed lease does not impose any liability on us.

Plans and Specifications and/or Standard Recommended Floor Plan

We will loan to you a sample set of certain specifications (which may include sample restaurant layouts and floor plans) for construction of the Premises concerning the design, décor, interior layout, fixtures, furnishings, equipment, signs and furnishings (collectively, the "Design Specifications"). The Design Specifications may vary in their design and decor by region of the country, at our sole discretion. On or before the Opening Date, you must return these plans and specifications to us.

Specifications for Uniforms

The Operations and Policies Manual includes our specifications for uniforms for your employees that you purchase directly from our Approved Suppliers.

Insurance

You must carry all risk property insurance coverage (including flood and/or earthquake, if appropriate) covering your restaurant building and equipment in the amount of the full insurable replacement cost value of the property. Additionally, the policy must include business interruption insurance that covers your obligation to pay an amount equal to the royalty and advertising fees you otherwise would pay us during any covered interruption. You also must secure, at your own cost, a public liability policy with limits we periodically determine but with a minimum limit of $1,000,000 for each occurrence (bodily injury and property damage) and an aggregate limit of at least $2,000,000. The policy further must specifically insure your obligation to indemnify us under the Development Agreement and the Franchise Agreement. You also must carry products liability insurance with limits we periodically determine but with an aggregate limit of at least $2,000,000. You must name us as an additional insured under each public liability and products liability policy and you must provide us with certificates of insurance evidencing your insurance coverage. All policies must contain endorsements requiring the insurance company to give us at least 30 days' written notice before terminating, canceling or making any changes in any policy. You also must secure, at your own cost, workers' compensation insurance covering all of your employees as required by applicable state law. If you fail to comply with any of those requirements, we may, but have no obligation to, purchase that insurance and you must reimburse us for the cost of that insurance. We may periodically adjust the amounts of coverage required under the insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, if the changes are required throughout the Gus's Network including any Company-Owned Units. These changes and additions to insurance coverage may be required to reflect inflation, the existence of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

Local Advertising

You must submit to us for our approval all materials used for Local Advertising or Traditional Local Advertising, unless we have previously approved the materials or the materials consist only of materials we provide. You are free to use your own advertising material only if you have obtained our prior written approval. All materials containing the Intellectual Property must include the applicable designation - service mark℠, trademark™, registered® or copyright©, or any other designation we specify. If you have not received our written or oral disapproval of materials you submitted within 10 days from the date we received the materials, then we are deemed to have approved the materials. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment, the materials or advertising may injure or be harmful to the Business System. You will have 5 days after you receive of our written notice to discontinue using the materials or advertising, unless otherwise agreed in writing.

Computer System

We have no computer system requirements and there are no Designated Suppliers for them.

Gift Card Program

You must use and honor only system-wide gift cards, certificates and checks that we designate and you must obtain all certificates, cards or checks from an approved supplier. We are contemplating developing a gift card program, thus, we require that you sign the Affiliated Seller Agreement attached as Exhibit G. At the time of termination or expiration, or the transfer of your rights under the Franchise Agreement, you must pay all amounts owed by you under the Affiliated Seller Agreement.

Financial Reporting

You must also provide us with regular reports and periodic financial statements in the form we specify.

Revenue from Required Purchases or Leases by Franchisees

We derive revenue from required purchases or leases by franchisees. Our total revenues from all operations during 2021 were $3,450,469. Of this amount, $424,277 was derived from required purchases or leases by franchisees. This amount represents 12.3% of our total revenues for 2021.

Magnitude of Required Purchases or Leases

We estimate that the proportion of required purchases and leases to all purchases and leases by you of goods and services is 66% to 74% in establishing the Gus's Restaurant and 75% to 90% in operating the Gus's Restaurant.

Payments From Designated Suppliers

We derive revenue from required purchases from Designated Suppliers by franchisees. Our total revenues from all operations during 2021 were $3,450,469. Of this amount, $418,456 was derived from required purchases or leases from Designated Suppliers by franchisees. This amount represents 12.1% of our total revenues for 2021.

Purchasing or Distribution Cooperatives

There are currently no purchasing or distribution cooperatives that you must join or in which you may participate.

Negotiation of Purchase Arrangements

We do not negotiate purchase arrangements with suppliers for your benefit and the benefit of the other franchisees.

Material Benefits

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

DEVELOPMENT AGREEMENT

There is no provision in the Development Agreement requiring the purchase or lease of goods or services from us, our designated suppliers, approved suppliers or in accordance with our specifications. For each Franchise Business developed pursuant to the Development Agreement, you must comply with the requirements set forth in the Franchise Agreement.

ITEM 9 - FRANCHISEE'S OBLIGATIONS

FRANCHISE AGREEMENT

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other ITEMS of this Franchise Disclosure Document.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	FRANCHISE DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	ARTICLE 1; Section 4.1	ITEMS 6, 7, 8 and 11
b. Pre-opening purchases/leases	ARTICLE 4 (*see* Sections 4.1, 4.2, 4.3, 4.4, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14 and 4.15	ITEMS 5, 7, 8, 11 and 12
c. Site development and other pre-opening requirements	ARTICLE 4 (*see* Sections 4.1, 4.2, 4.3, 4.4, 4.9, 4.10, 4.11, 4.12)	ITEMS 7, 8 and 11
d. Initial and ongoing training	Sections 2.8, 2.11 and 2.13(k) and (l)	ITEMS 6, 7, 8, 11 and 15
e. Opening	Section 4.12 (*see also* Sections 4.1, 4.2, 4.3, 4.4, and 4.5)	ITEMS 7, 8 and 11
f. Fees	Sections 1.4(d), 2.1, 2.8(a), 2.8(b), 2.13(j), 2.13(k), 2.13(l), 2.15, 2.16, ARTICLE 3, ARTICLE 4 (see Sections 4.11, 4.12(b), 4.13(e), 4.13(f), 4.18(b)), 5.5 6.2, 8.2, 8.3, 9.7, 10.2(b)(ii), 10.2(g), 10.2(i), 12.2, 12.9, 13.1(b) and 16.2(iv) and 17.5	ITEMS 5, 6 and 7
g. Compliance with standards and policies/operating manual (Operations and Policies Manual)	ARTICLES 2, 3, 4, 5, 6, 7, 8, 9, 11 and 20	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	ARTICLES 5, 6 and 14	ITEMS 13 and 14
i. Restrictions on products/services offered	ARTICLE 1 (*see* Sections 1.2, 1.4); ARTICLE 4, ARTICLE 5 and ARTICLE 7	ITEMS 8 and 16
j. Warranty and customer service requirements	ARTICLE 4 (*see* Sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.17, and 4.18)	ITEM 8
k. Territorial development and sales quotas	ARTICLE 1 (*see* Sections 1.2, 1.3, 1.4 and 4.1)	ITEM 12
l. Ongoing product/service purchases	ARTICLE 4 (*see* Sections 4.3, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.13)	ITEMS 6 and 8
m. Maintenance, appearance and remodeling requirements	ARTICLE 4 (*see* Sections 4.1, 4.2, 4.3, 4.6 4.6, 4.18 and 4.22)	ITEMS 6, 7 and 8
n. Insurance	ARTICLE 9	ITEMS 6, 7 and 8
o. Advertising	ARTICLE 7	ITEMS 6, 7, 8 and 11
p. Indemnification	Section 14.2	ITEMS 6 and 8
q. Owner's participation management/staffing	Sections 2.8, ARTICLE 4 (see Sections 4.4, 4.5, 4.13, 4.14, 4.15,4.20 and 4.21)	ITEMS 6 and 15
r. Records and reports	ARTICLE 8	ITEM 8
s. Inspections and audits	ARTICLE 8	ITEMS 6, 8 and 11
t. Transfer	ARTICLE 10	ITEMS 6 and 17

Obligation	**Section in Franchise Agreement**	**Franchise Disclosure Document ITEM**
u. Renewal	Sections 16.2 and 16.3	ITEMS 6 and 17
v. Post-termination obligations	ARTICLE 12	ITEM 17
w. Non-competition covenants	ARTICLE 13	ITEM 17
x. Dispute resolution	ARTICLE 17	ITEMS 6 and 17
y. Other	Not Applicable	Not Applicable

DEVELOPMENT AGREEMENT

This table lists your principal obligations under the Development Agreement. It will help you find more detailed information about your obligations in the Development Agreement and in other ITEMS of this Franchise Disclosure Document.

Obligation	**Section in Development Agreement**	**Franchise Disclosure Document Item**
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	ARTICLE 3	ITEMS 5 and 6
g. Compliance with standards and policies/Operating Manual	ARTICLE 4	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	Not Applicable	Not Applicable
i. Restrictions on products/services offered	Section 1.1, 1.4	ITEMS 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Sections 1.2, 1.3, 1.4, 1.5 and 4.1	ITEM 12
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Not Applicable	Not Applicable
q. Owner's participation/management/staffing	Not Applicable	Not Applicable
r. Records/reports	Section 4.2	Not Applicable
s. Inspections/audits	Not Applicable	Not Applicable
t. Transfer	Section 5.2	ITEMS 6 and 17
u. Renewal	Section 6.2 and 6.3	ITEMS 6 and 17
v. Post-termination obligations	Not Applicable	Not Applicable
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Section 9.1	ITEMS 6 and 17
y. Other	Not Applicable	Not Applicable

ITEM 10 - FINANCING

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

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

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

FRANCHISE AGREEMENT

Pre-Opening Obligations

After the parties sign the Franchise Agreement but before you open your Gus's Restaurant, we will provide you with the following assistance and services, as long as you are not in default under your Franchise Agreement.

Site Selection Assistance. We do not select the Location. You must find a site that we approve within 90 days after signing the Franchise Agreement and before you sign a lease or begin any construction. Our approval is only our indication that the proposed Location meets our minimum criteria for identifying sites. We may require you to send to us all material information regarding the proposed site including: pictures of the site; population demographics within a 20-mile radius of the site; information regarding traffic counts and patterns; parking spaces; visibility from the roadways; the predominant character of the neighborhood; competitive businesses within the area; the nature of other businesses in proximity to the site; and the size, appearance and other physical characteristics of the site. We will not unreasonably withhold, delay or condition our approval of any site meeting our standards. We will review site approval submissions on a first-in basis but within 30 days of your submission. If we do not approve the site, you have 30 days in which to submit a new site for our written approval. If you fail to do so in a timely manner, we have the right to terminate the Franchise Agreement and retain an appropriate portion of the Initial Franchise Fee to cover our costs and expenses we have incurred for the assistance we have provided to you under the Franchise Agreement. You will be required to sign the Franchise Termination and Release Agreement included in Exhibit N. [Section 2.1 of the Franchise Agreement.]

Lease Assistance. If you intend to lease your Premises from a third party, the lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when the property owner, you and us sign our form of Agreement with Landlord attached as Exhibit I to the Franchise Disclosure Document. We recommend you submit the Agreement with Landlord to the landlord at the beginning of your lease review and negotiation, although the terms of the Agreement with Landlord may not be negotiated without our prior approval. If the landlord requires us to negotiate the Agreement with Landlord, we reserve the right to request that you reimburse us for our actual costs associated with the negotiation. You must sign a lease for the approved location within 150 days after the Agreement Date. You must e-mail us a PDF copy of the signed Lease and Agreement with Landlord within 5 days of its execution. [Section 2.2 of the Franchise Agreement.]

Plans and Specifications. Upon request, we will loan to you a sample set of certain specifications (which may include sample restaurant layouts and floor plans) for construction of the Premises concerning the design, décor, interior layout, fixtures, furnishings, equipment, signs and furnishings (collectively, the "Design Specifications"). The Design Specifications may vary in their design and decor by region of the country, at our sole discretion. On or before the Opening Date, you must return these plans and specifications to us. [Section 2.3 of the Franchise Agreement.]

Uniform Requirements. The Operations and Policies Manual includes our specifications for uniforms for your employees that you must purchase directly from our approved supplier. [Section 4.4 of the Franchise Agreement.]

Business Planning Assistance. You agree that we will only review and comment on any business plan and/or pro forma financial projections you prepare after you sign the Franchise Agreement because we make no financial performance representations to you to induce you to purchase this Franchise. [Section 2.4 of the Franchise Agreement.]

Accounting, Cost Control, Portion Control and Inventory Control Business Systems. We will provide to you standardized accounting, cost control, portion control and inventory control systems. [Section 2.5 of the Franchise Agreement.]

Lists, Forms and Schedules. We will loan to you either in hard copy form or as electronic files, the following for use in the operation of the Gus's Restaurant: (a) a list of Approved Supplies and a list of Approved Suppliers; (b) specifications for business cards, stationary, receipts, point-of-sale materials, frequent customer cards, gift cards, reporting documents, and other business forms and materials we deem necessary for the operation of the Gus's Restaurant that you purchase from Approved Suppliers; (c) requirements regarding your establishment of daily, weekly and monthly reporting systems; bookkeeping procedures; and accounting procedures which you must adopt and implement at your Gus's Restaurant. These forms and schedules are contained in the Operations and Policies Manual. We do not warrant the completeness, legality or enforceability of any agreements or forms we provide to you. You must retain your own legal counsel to review and revise these agreements and documents so they comply with all applicable federal and state laws. [Section 2.6 of the Franchise Agreement.]

Employee Information and Assistance. We reserve the right to provide to you employee hiring information including pay scale guidelines and a standardized interviewing/selection system as described in the Operations and Policies Manual. No employee of yours is an employee of ours for any purpose whatsoever. You are solely responsible for the hiring, disciplining, supervising, promoting and firing of your employees and the establishment of their salaries as provided in Section 4.4 of the Franchise Agreement. [Section 2.7 of the Franchise Agreement.]

Initial Training. We will provide Initial Training for up to 8 Trainees. [Section 2.8 of the Franchise Agreement.] We describe the details of Initial Training under the heading "TRAINING PROGRAM" below.

Loan of the Operations and Policies Manual. We will loan to you one registered copy of the Operations and Policies Manual and any supplemental manuals. Our practice is to deliver the Operations and Policies Manual to you during Initial Training. [Section 2.9 of the Franchise Agreement.]

Pre-Opening Inspection. We will provide periodic on-site assistance and inspection of the installation of the furniture, fixtures and/or equipment and will generally inspect the Premises. We will provide you with advice, as we deem appropriate, to ensure that you conform to applicable standards before the Opening Date. [Section 2.10 of the Franchise Agreement.]

Pre-Opening On-Site Training. We will make available to you pre-opening, on-site training of up to 30 days, in most instances conducted at your Gus's Restaurant shortly before the Opening Date and during the first days of operation, as we deem appropriate. The on-site training program will cover material aspects of the operation of the Gus's Restaurant including financial control, marketing techniques, maintenance of quality standards, employee hiring, training and customer service, inventory control, operations, purchasing and sales. [Section 2.11 of the Franchise Agreement.] We provide details under the heading "TRAINING PROGRAM" below.

Grand Opening Assistance. In addition to the on-site training that we provide at the time you open for business, we will also provide you advice and guidance with regard to staffing, decoration, and the operation of your Gus's Restaurant during the grand opening period. [Section 2.12 of the Franchise Agreement.]

Assistance We Do not Provide

We do not provide assistance with conforming the Business Premises to local ordinances and building codes and obtaining any required payments, and/or constructing, remodeling, or decorating the Business Premises, and or/hiring and training employees. These are your responsibility.

Statement of Costs to Open~~.~~

Within 30 days after you open your Gus's Restaurant, you will prepare and provide us with a complete and detailed written breakdown of all costs incurred in the development of your Gus's Restaurant. [Subsection 4.12(c) of the Franchise Agreement.]

Certificate of Performance~~.~~

After we have performed all of our pre-opening obligations and you are open for business, we may request you to sign a certification in the form included in the Operation & Policies Manual ("Certificate of Performance") confirming our performance. If, in good faith, you do not believe that we have not completed certain of our pre-opening obligations, you will note the alleged deficiencies on Schedule A – List of Deficiencies to Certificate of Performance specifically describing the obligations that you believe we have not performed. [Subsection 4.12(d) of the Franchise Agreement.]

Time to Open

The typical length of time between the signing of the Franchise Agreement and the opening of the Gus's Restaurant can vary from 3 to 9 months. The factors that affect this period usually includes the time needed to acquire a site for your Gus's Restaurant, to negotiate a lease, to arrange for financing, to comply with local ordinances, to hire employees, and other operational issues, etc., and the time when you complete satisfactorily Initial Training. If you fail to open within 12 months of signing the Franchise Agreement, you are in material default under the Franchise Agreement and we have the right to terminate the Franchise Agreement and retain the Initial Franchise Fee. If we terminate the Franchise Agreement you must also sign the Franchise Termination and Release Agreement included in Exhibit N. [Subsection 4.12(b) of the Franchise Agreement.]

Ongoing Obligations after Opening

Provided you are not in default under your Franchise Agreement, we will perform the following obligations during the operation of your Gus's Restaurant:

Field Visits. We will assist you in the development and operation of your Gus's Restaurant that may include periodic visits by one of our field representatives. [Subsection 2.13(a) of the Franchise Agreement.]

Assistance by Telephone or E-Mail. We will provide you with informational assistance by telephone and e-mail including consultation on matters involving operations, advertising, promotion, and business methods. [Subsection 2.13(b) of the Franchise Agreement.]

Centralized Toll-Free Number. We will staff telephone operators during normal business hours to respond to inquiries about the Business System's services and route back to you any person calling within the area/zip codes assigned to you as part of your Limited Protected Territory. [Subsection 2.13(c) of the Franchise Agreement.]

Website. We have created the Website (www.GusFriedChicken.com). We will provide you with customized web pages within our Website for your use in accordance with Section 7.4 of the Franchise Agreement. [Subsection 2.13(d) of the Franchise Agreement.]

Advertising Materials and Campaigns. Although we have no present intention to create the Advertising Fund, if we create and implement the Advertising Fund, we will generally promote the Gus's® Restaurants through advertising and public relations campaigns and also make available to you various advertising, marketing, and promotional materials for use in your DMA using the Advertising Contributions to the Advertising Fund. If an Advertising Fund is created, your participation in the Advertising Fund will be mandatory. [Subsection 2.13(e) of the Franchise Agreement.]

Local Advertising. We will provide you advice on Local Advertising and Traditional Local Advertising that you conduct in your DMA. [Subsection 2.13(f) of the Franchise Agreement.]

Promotional Methods and Materials. We will provide you with promotional methods and materials that we develop. [Subsection 2.13(g) of the Franchise Agreement.]

Radio and Television Commercials. Although we do not require you to advertise on radio or television, we reserve the right to require you to advertise on radio or television. To the extent that we require you to do so, we will provide a preapproved radio script and camera-ready television commercials (not including airtime) for your use in your DMA. [Subsection 2.13(h) of the Franchise Agreement.]

Special Assistance. At your request and based on the availability of our staff, we will provide onsite non-routine guidance and assistance to address your unusual or unique operating problems at our reasonable per diem fees (currently $500 per day) and our out-of-pocket expenses. [Subsection 2.13(l) of the Franchise Agreement.]

Research and Development. We will continue to research and develop new products and services, introductions and techniques, as we deem appropriate in our sole discretion. We may conduct market research and testing to determine consumer trends and the salability of new products and services. You acknowledge that we may choose to offer certain products or services that are not a normal part of the Business System to Franchisees for test marketing or other purposes. You agree that we may not make these products or services available to you. If we choose you, and if you agree, you will participate in our market research programs to test market new products and services in the Gus's Restaurant. If you participate in any test marketing, you agree to purchase a reasonable quantity of the products or services tested and to effectively promote and make a good faith effort to sell them. You will provide us with timely reports and other relevant information regarding that market research. [Subsection 2.13(m) of the Franchise Agreement.]

Suggested Pricing. We will provide recommended prices to Franchisees for menu items, promotional products and/or private label products. The recommended prices will vary depending on the season. While we do have recommended prices, we still allow Franchisees to establish their own prices. [Subsection 4.13(n) of the Franchise Agreement.]

Sublicense of Intellectual Property. Subject to the Franchise Agreement, we sublicense to you the right to use the "Gus's World Famous Fried Chicken®" trade name and the other Intellectual Property. [Section 2.14 of the Franchise Agreement.]

License of Software. We currently do not have proprietary software that we require you to license from us: however, we reserve such right to do so in the future and charge you a reasonable license fee. [Section 2.15 of the Franchise Agreement.]

Optional Assistance After Opening

Provided you are not in default under your Franchise Agreement, we may perform the following obligations during the operation of your Gus's Restaurant:

Periodic Assistance. We may provide advisory assistance in the operation and promotion of the Gus's Restaurant, as we deem advisable. Advisory assistance may include additional training and assistance, communication of new developments, improvements in equipment and supplies, and new techniques in advertising, service and management relevant to the operation of the Gus's Restaurant. We anticipate that advisory assistance will not total more than 2 days at $750 per day at our training facility. You will have to pay the travel, meals and lodging expenses of your attendees. [Subsection 2.13(i) of the Franchise Agreement.]

Ongoing Training. We may require you, the Designated Representative, the Manager, the assistant managers and other key employees of the Gus's Restaurant to attend, at your expense, ongoing training at our training facility, or at the Gus's Restaurant or another location we designate. In addition, we may develop and require you to purchase an in-restaurant training program. You are solely responsible for all expenses associated with these programs including the then-prevailing standard training fee we charge for these programs (currently $750 per day) and all travel, meals and lodging costs of your attendees. These training fees will not exceed $5,000 within any given 12-month period. [Subsection 2.13(j) of the Franchise Agreement.]

Our Temporary Operation of Your Franchise Business. At our option, if: you fail to keep your Gus's Restaurant open for business during normal business hours; you are absent from your Gus's Restaurant more than 5 days or abandon the Premises; you or the Franchise Owner dies or becomes permanently incapacitated and the franchise or the ownership interest in the Franchisee is not assigned promptly under the Franchise Agreement; you materially breach any of our standards and specifications for the operation of your Gus's Restaurant; or your Gus's Restaurant is terminated and we elect to purchase your business assets as provided in the Franchise Agreement; then, we are entitled (but have no obligation) to enter your Premises and to operate and manage your Gus's Restaurant for your (or your estate's) account until the Gus's Restaurant is terminated, transferred to a party, purchased by us, or until you resume control over your Gus's Restaurant and operate it in accordance with the Franchise Agreement. Our operation and management will not continue for more than 30 days, but be renewable as necessary for up to 1 year. We will periodically discuss the status with you or the representatives of your estate. If we operate your Gus's Restaurant, we will account to you or your estate for all net income from the operation less our reasonable expenses incurred in, and a management fee of $500 per day for our operation of your Gus's Restaurant. [Section 2.16 of the Franchise Agreement.]

Assistance We Do Not Provide

We do not provide assistance in hiring and training your employees except as disclosed in the Training Program discussed below. We do not have an obligation to provide assistance in establishing maximum or minimum sale prices for your products or services to offer and sell. Our Operation & Policies Manual sets forth the assistance we provide you with various operating matters. We will consult with you regarding resolving any operating problems you encounter.

ADVERTISING PROGRAMS UNDER FRANCHISE AGREEMENT

Our Advertising Obligations

We, in our role as Franchisor, are not obligated to use our own funds to conduct advertising except Company-Owned Units will contribute to the Advertising Fund (described below) to the same extent as Franchised Units are required to contribute. We are not obligated to produce any advertising or marketing materials whether for local or national use.

Grand Opening Advertising Program

We have not established a Grand Opening Advertising Program and have no plans to implement one; however, we reserve the right to implement a Grand Opening Advertising Program. If we implement a Grand Opening Advertising Program, you would be required, before the opening of a Gus's Restaurant, to budget up to $7,500, primarily to be spent on food tastings and food donations, during the 90-day period beginning 45 days before the opening of a Gus's Restaurant, and, upon our request, provide to us proof of these expenditures. In addition, if we establish a Grand Opening Advertising Program, you must perform opening advertising and promotions as required by your Franchise Agreement if you relocate the Gus's Restaurant or reopen the Gus's Restaurant after it has been closed for 30 days or more. [Section 7.1 of the Franchise Agreement.]

Local Advertising [Section 7.2 of the Franchise Agreement.]

Your Expenditures. Once you normalize the operation of your Franchised Business after opening, we encourage, but do not require, Franchisees to donate food representing at least 1% of their sales in retail food value. This is in addition to Grand Opening Advertising.

Our Approval. You must submit to us for our approval all materials used for Local Advertising and Traditional Local Advertising, unless we have previously approved the materials or the materials consist only of materials we provide. You are free to use your own advertising material only if you have obtained our prior written approval. All materials containing the Intellectual Property must include the applicable designation - service mark℠, trademark™, registered® or copyright©, or any other designation we specify. If you have not received our written or oral disapproval of materials you submitted within 10 days from the date we received the materials, then we are deemed to have approved the materials. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment, the materials or advertising may injure or be harmful to the Business System. You will have 5 days after you receive of our written notice to discontinue using the materials or advertising, unless otherwise agreed in writing.

Franchise Opportunities Available. Subject to any legal restrictions, you must place a sign we supply to you in a conspicuous place within the Premises as well as on all Authorized Menus, containing substantially the following statement: "Gus's Franchise Opportunities Available." You must immediately refer all responses to us at (901) 567-5261 or any other number we designate and include our corporate address. You have no authority to act for us in franchise sales.

Social Media. You must follow our requirements for the use of social media, including creating and maintaining a Twitter account, Facebook page, GoMoBo account and other similar types of social media we may add in the future in the Operations and Policies Manual or otherwise in writing.

Participation in Certain Promotions. You must participate in all required advertising and promotional programs we establish. If the promotional program involves beer, or any Menu Item that is listed on the then-current Gus's® printed menu (including any limited time offers), we may suggest, but will not require, that you offer the item at a price lower than the everyday menu price.

No Political Advertising. You will not allow any political advertising at the Franchise Business and not allow the use of our trademarks by your employees, relatives or friends to any political candidates or any other purpose that is unrelated to the Franchise Business.

Regional Cooperative Advertising [Section 7.3 of the Franchise Agreement.]

Regional Advertising Cooperative. We have not established a regional advertising cooperative in any DMA and have no plans to establish one. However, you agree that we have the right to establish a regional advertising cooperative in any DMA. Upon our request, you will immediately become a member of the Cooperative for the DMA that includes your Limited Protected Territory. Your Gus's Restaurant does not have to be a member of more than 1 Cooperative. We reserve the right to require Cooperatives to be changed, dissolved or merged.

Purposes of Cooperative. If we organize a Cooperative, it will be for the purposes of administering advertising programs and developing standardized promotional materials for use by its members. If organized, the Cooperative may adopt its own rules and procedures, but we must approve the rules or procedures. The rules and procedures must not restrict or expand your rights or obligations under the Franchise Agreement. The members of each Cooperative and their elected officers will be responsible for the administration of the Cooperative. Each Cooperative must submit to us the minutes of its meetings upon our request.

Voting of Members. Except as otherwise contained in the Franchise Agreement, and subject to our approval, any lawful action of the Cooperative at a meeting attended by 67% of the members, including assessments for Cooperative Advertising, binds you if approved by 67% of the members present. Each Franchise Unit and Company-Owned Unit has 1 vote; however, no Franchisee (or controlled group of Franchisees) has more than 25% of the vote in the Cooperative regardless of the number of Gus's Restaurants owned by any Franchisee.

Our Approval of Advertising. We must approve in writing all advertising or promotional plans or materials the Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials in accordance with the procedure stated in the Franchise Agreement. Each Cooperative must engage the services of a professional advertising agency or media buyer that meets with our approval and has expertise in the industry and in the particular market.

Members' Contributions to Cooperative. If organized, the Cooperative has the right to require each of its members to contribute to the Cooperative an amount not less than ½% or more than 2% of that member's monthly Gross Revenues. We credit this amount against your obligation for Local Advertising or Traditional Local Advertising. Each member will submit to the Cooperative, no later than the 10th day of each month for the preceding calendar month, his, her or its contribution together with all other statements or reports we or the Cooperative requires. Each Cooperative must prepare annual financial statements, which will be sent to us and all members of the Cooperative.

Impasses. If an impasse occurs based on its members' inability or failure to resolve within 45 days any issue affecting the establishment or effective functioning of the Cooperative, the issue, upon request of a member of the Cooperative, will be submitted to us for consideration. Our resolution of the issue is final and binding on all members of the Cooperative.

Changes, Dissolution or Merger of Cooperatives. We have the right to form, change, dissolve or merge any Cooperative.

Internet Advertising and Marketing/Website [Section 7.4 of the Franchise Agreement.]

Website. You must, at your expense, participate in our Gus's® website on the Internet, www.GusFriedChicken.com (the "Website"), our intranet system or other online communications as we may require. You must submit to us daily reports via our intranet system. We have the right to determine the content and use of our Website and intranet system and will establish the rules contained in the Operations and Policies Manual under which you and the other Franchisees may or must participate. We retain all rights relating to our website and intranet system and may alter or terminate our website or intranet system. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, product information and all other information that we may designate in writing.

Access. We permit you access to password protected areas within our Website to assist in the operation of your Gus's Restaurant. We may rescind these rights if you violate the conditions and terms of use as contained in the Operations and Policies Manual or otherwise in writing. We prohibit you from adding to, deleting, or modifying any of the content of the Website without our written permission. You acknowledge that certain information related to your participation in our Website or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Website and intranet system, or otherwise use the Trademarks or System on the internet or other online communications, will terminate when the

Franchise Agreement expires or terminates.

Domain Name. We prohibit you from registering any domain name using the Intellectual Property and from hosting a website to promote the Gus's Restaurant or the products or services without our prior written consent. You will not participate in any website that markets goods and services similar to a Gus's® Restaurant. We retain all rights to the trade names and other Intellectual Property, and any associated Internet domains used to identify the Business System. You may not use or reference the Trademarks in any online communication or website (including all current and future social media platforms) without our prior written approval.

Your Home Page. We may provide you with a customizable home page ("Your Home Page") on our Website to promote the Gus's Restaurant; however, we prohibit you from offering or selling products through the Internet. You must adhere to the methods and procedures we provide for uploading content and managing your Your Home Page. You must secure our written permission if you desire to link Your Home Page to other websites on the Internet. We have the sole right to modify, change, add to, or delete our domain, Website and Your Home Page. We maintain all rights of ownership in and to Your Home Page. We may discontinue making Your Home Page accessible to you upon 30 days' written notice, or if you are in breach of the Franchise Agreement.

E-Mail Account. You must maintain an e-mail account to receive e-mails forwarded to your Gus's e-mail address. We provide you up to 5 e-mail accounts, which are limited to separate email accounts for the Gus's Restaurant, the Designated Representative, Franchise Owners and your Manager. We have established reasonable standards for e-mail accounts and their use, which we may periodically revise. You will have reasonable time within which to upgrade when standards change. Standards will include a computer capable of running the required software and containing reasonable minimums for memory and data storage and high-speed Internet access. We may also require that you obtain a dedicated IP address for use with the POS System. You are responsible for all charges for these services. From time-to-time, we will send important information to your Gus's e-mail address. In order to stay informed on developments affecting the Business System and your Gus's Restaurant, you agree to check your e-mail at least daily except for Sundays. You must respond to any request we send to you by e-mail that requires a response within 24 hours of your receipt of our e-mail. We maintain all rights of ownership in and to the e-mail accounts. We may discontinue making available the e-mail accounts to you upon 30 days' written notice, or if you are in breach of the Franchise Agreement.

Advertising Fund [Section 7.5 of the Franchise Agreement.]

Right to Create. Although we have no present intent to do so, we have the right to create a special fund called the "Gus's Advertising Fund" (the "Advertising Fund"), into which we will deposit the Advertising Contributions for the benefit of all Franchised Units and Company-Owned Units who contribute to the Advertising Fund. Non-Traditional Sites are not obligated to contribute to the Advertising Fund.

Participation. If an Advertising Fund is created, your participation in the Advertising Fund will be mandatory.

Administration. If we create an Advertising Fund, we will administer the Advertising Fund. We will use the Advertising Contributions in the Advertising Fund to pay for the costs of creating various advertising, marketing, and promotional materials and to pay for the costs of conducting regional and/or national advertising and promotional activities (including the cost of producing advertising campaigns and marketing materials, conducting test marketing and marketing surveys, and public relations activities) that we deem beneficial to the Business System. We do not have to spend any of your contributions to the Advertising Fund in your Limited Protected Territory. We assume no other direct or indirect liability or obligation to you for the maintenance, direction or administration of the Advertising Fund, except as expressly provided in ARTICLE 7 of the Franchise Agreement. [Subsections 7.5(b) and 7.5(c) of the Franchise Agreement.]

Expenditures. If we create an Advertising Fund, all expenditures are at our sole discretion; however, if we create an Advertising Fund, we will not use any amounts from the Advertising Fund to solicit new franchise sales. We may spend in any calendar year more or less than the total Advertising Contributions to the Advertising Fund in that year. We may loan to the Advertising Fund or borrow from other lenders for the Advertising Fund to cover deficits of the Advertising Fund or cause the Advertising Fund to invest any surplus for future use by the Advertising Fund. We will carry any monies not spent by the Advertising Fund in any particular year to fund production expenses in the next year. [Subsection 7.5(c) of the Franchise Agreement.]

Media Placement. If we create an Advertising Fund, the advertising funded by the Advertising Fund is anticipated to be generally placed, based on our decisions in regional and/or national markets. It is anticipated to be placed with television, radio, periodicals, newspapers and/or direct mail campaigns. It is anticipated that most marketing materials will be prepared by our advertising department and/or a national or regional advertising agency.

Rebates. If we create an Advertising Fund, you authorize us to act as your sole agent to enter into contracts with parties, other than Designated Suppliers and Approved Suppliers, offering promotions, discounts or other programs where you would receive rebates or marketing allowances ("Rebates") relating to our purchase of advertising, marketing, and promotional materials using funds from the Advertising Fund. We will contribute all Rebates paid to us, based on your purchases, and the purchases of other Franchise Units and Company-Owned Units, to the Advertising Fund. By signing the Franchise Agreement, you assign all of your right, title and interest in all Rebates to us, and authorize us to furnish any proof of purchase evidence as may be required in accordance with the contracts.

Annual Report. We will prepare an annual report of the receipts and expenditures of the Advertising Fund and send a copy of the report to you and all other Franchisees within 150 days after the end of each fiscal year. The Advertising Fund will not be audited.

Advertising Contributions to the Advertising Fund. If we implement the Advertising Fund, you must also pay to us a continuing monthly Advertising Contributions to the Advertising Fund in an amount equal to 1.5% of monthly Gross Revenues. We have the sole right to enforce your obligations and all other Franchisees that make Advertising Contributions. Neither you, nor any other Franchisee obligated to make Advertising Contributions, is a third party beneficiary of the funds nor has any right to enforce any obligation to contribute the funds. [Subsection 3.1(c) of the Franchise Agreement.] If the Advertising Fund is created, all Franchised Units and Company-Owned Units will be required to contribute to the Advertising Fund on the same basis as you are required to contribute. [Section 7.8 of the Franchise Agreement.]

Reimbursement. We will receive payment to reimburse us for our costs of providing goods or services to the Advertising Fund and any Advertising Cooperative.

Advertising for Solicitation of New Franchise Sales. We will not use any of the funds to offer or sell Gus's Restaurants to prospective franchisees.

Termination of Media Fund. We reserve the right to terminate the collection and disbursement of the Advertising Contributions and the Advertising Fund. Upon termination, we will disburse the remaining funds to existing Franchised Units and Company-Owned Units on a pro-rata basis based on their relative amount of contributions. [Section 7.7 of the Franchise Agreement.]

Advertising Receipts and Expenditures for Fiscal Year 2021

For the fiscal year ending December 31, 2021, the Advertising Fund did not exist.

Franchisee Advertising Council

There is no advertising council composed of Franchisees.

Other Advertising Funds

We have no other advertising funds. There may be additional advertising requirements contained in the lease of your Premises. The extent of these advertising requirements may be subject to negotiation; consequently, the extent of any advertising obligation may be unknown to us.

Point of Sale/Computer Systems

Computer System

We have no computer system requirements and there are no Designated Suppliers for items relating to computer systems.

POS System

To operate your Gus's Restaurant, you must purchase or lease from EBTF, LLC (doing business as Everything But the Food), the Designated Supplier of the POS System, the POS System which consists of :

- at least 4 front-of-the-house ("FOH") terminals and the following specifications:
- amount of FOH software licenses dictated by package chosen (1 per FOH terminal)
- one back-of-the-house software license
- one credit card integration software
- amount of all-in-one FOH terminals dictated by package chosen
- amount of receipt printers dictated by package chosen (1 per FOH terminal)
- 2 Remote kitchen printers
- 2 Cash drawers
- one 16 port switch
- one UPS battery back-up for network hardware plus amount of UPS battery back-ups dictated by package chosen (1 per FOH terminal)

- custom programming tailored to each site
- installation and training
- network configuration w/ secure customer WiFi setup (router device not included)
- GoLive Coverage (1 day per site, additional days may be purchased)
- one year of included 24 hour support, unlimited software upgrades, daily cloud-based back-up, and use of one POS Mobile Dashboard

POS System with 30 Mo. Warranty	$15,000 to $25,000
Monthly Support (after initial year)	$170.00 ($2,040.00 annually)

All quotes above, provided by the Designated Supplier, are on a pretax basis.

Cost of the POS System. The initial cost of the POS System is between $15,000 and $25,000, excluding sales or use tax and shipping cost; however, costs may increase due to various factors such as additional technical requirements related to the Premises and/or additional hardware or warranties which may be required or desired.

Ongoing Maintenance, Repairs, Upgrades or Updates. We do not have to provide you ongoing maintenance, repairs, upgrades or updates. The Designated Supplier offers a package named "Total Support" that includes:

- 24/7/365 support via telephone, email, remote access, and on-site provided by Designated Supplier;
- unlimited software upgrades;
- unlimited use of mobile dashboard app;
- unlimited use of daily cloud-based back-up to secure onePOS server (of all onePOS database and sales data backed up at completion of EOD procedure); and
- access to (optional and separately billable) one POS server-based (web based) services, which includes gift card/loyalty/house account services and integrated online ordering

At present, Total Support is included without any ongoing charges for 12 months after the initial purchase. After the initial 12 months, pricing (at present) is annually $480 per first software license per site and $240 per additional software license per site.

You must make periodic upgrades and updates to the POS System's software that we make available for your Gus's Restaurant. There are no contractual limitations on the frequency and cost of this requirement. The Designated Supplier and other local onePOS dealers offer hardware maintenance agreements for the POS System. This maintenance agreement is currently offered to you by the Designated Supplier at a price currently averaging between 12% and 18% of the list price for the equipment. In general, the maintenance services include parts and labor during normal business hours. You may incur additional charges for services outside the scope of the Designated Supplier support agreement.

Type of Data Generated and Stored. The POS System consists of the items listed above. Our Affiliates have operated the POS System since 2014. The principal functions of the POS System are to provide permanent financial records of sales transactions at your Gus's Restaurant and to collect and manage information about the nature of those transactions. The types of information that they collect and generate are sales levels by item, item menu pricing, product movement statistics, individual unit and category sales data, various financial information to prepare store reports and time and attendance information for employee payroll calculations.

Our Independent Access to Your Data. We have independent electronic access via the Internet to the information that the POS System generates. There are no contractual limitations on our right to access this information about your Gus's Restaurant. You agree that we have the right to retrieve all data and information from your POS System, as we deem necessary.

Operations and Policies Manual

After you have signed your Franchise Agreement and shortly before Initial Training, we will loan you a copy of our Operating Operations and Policies Manual. The Table of Contents of the Operations and Policies Manual, as of December 31, 2021, is included in Exhibit O. The Operations and Policies Manual contains a total of 559 pages.

FRANCHISE AGREEMENT

Training of Franchisees

TRAINING PROGRAM

COLUMN 1 SUBJECT	COLUMN 2 HOURS OF CLASSROOM TRAINING	COLUMN 3 HOURS OF ON-THE-JOB TRAINING	COLUMN 4 LOCATION
Gus's Orientation	0.5	0	Corporate Office in Memphis, Tennessee
Restaurant Construction and Design	0	0	Corporate Office in Memphis, Tennessee
Menu / Recipes	1	0	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Equipment and Smallwares	1	0	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Food Preparation / Kitchen Procedures / Food Safety	2	28	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Shift Procedures	2	4	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Front-of-House / Customer Service / POS System	2	16	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Employees	1	0.5	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant

COLUMN 1 SUBJECT	COLUMN 2 HOURS OF CLASSROOM TRAINING	COLUMN 3 HOURS OF ON-THE-JOB TRAINING	COLUMN 4 LOCATION
Restaurant Management	1	4	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Reporting Requirements	0.5	0.5	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Vendors and Suppliers / Ordering	0.5	2	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Inventory Management	0.5	2	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Accounting, Bookkeeping and Reporting	1	1	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Advertising and Marketing / Social Media	0.25	0	Corporate Office in Memphis, Tennessee
Catering	0.5	0	Corporate Office in Memphis, Tennessee
Cleaning and Maintenance	0.5	2.5	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
Safety and Security	0.5	1	Corporate Office in Memphis, Tennessee and Your Gus's Restaurant
TOTAL HOURS	**14.75**	**61.5**	

Training Schedule and Location. We conduct the training classes on an as-needed basis at our Corporate Office and at a Gus's Restaurant located in Memphis, Tennessee. Initial Training will occur at least 4 weeks after the parties sign the Franchise Agreement or 4 weeks before you open your Gus's Restaurant.

Instructional Materials. The instructional materials include the Operations and Policies Manual and business forms and materials.

Experience of Instructors. We maintain a training staff. The following is experience of each instructor including his length of experience in the field and with us that are relevant to the subjects taught by each instructor.

Robert Christopher Morgan is a Franchise Training and Systems Manager. Mr. Morgan has been our Franchise Training and Systems Manager since April 2013. From September 2012 to the present, Mr. Morgan has also been a Manager for Wendy's on Front, Inc.

Edward P. LaPlante has been a Franchise Training and Systems Manager since April 2013. From July 2012 to present, Mr. LaPlante has also been a Manager for Wendy's on Front, Inc. From June 2010 to July 2012, he was a Cashier/Server for Wendy's on Front, Inc.

Your Expenses in Attending Training. You are responsible for all expenses your Trainees incur in attending Initial Training including all travel, lodging and meal expenses. If you elect to have more than 8 Trainees, you are must pay us a training fee for each additional person (currently $500 per day) and all their expenses. [Subsection 2.8(a) of the Franchise Agreement.]

Trainees. You must send at least 4 Trainees to Initial Training. You or a Designated Representative, your Manager and 2 assistant managers must be the Trainees. We must approve all Trainees. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement contained in the Operations and Policies Manual as a condition of our approval. All Trainees must successfully complete our Initial Training to our satisfaction. [Subsection 2.8(a) of the Franchise Agreement.]

Pre-Opening On-Site Training. We will make available to you pre-opening, on-site training of up to 30 days, in most instances conducted at your Gus's Restaurant shortly before the Opening Date and during the first days of operation, as we deem appropriate. The on-site training program covers material aspects of the operation of the Gus's Restaurant including financial control, marketing techniques, maintenance of quality standards, employee hiring, training and customer service, inventory control, security standards, merchandising techniques, promotional techniques, operations, purchasing and sales. [Section 2.11 of the Franchise Agreement.]

Discretionary Training Program. There is no discretionary training program.

Ongoing Training. We may require you, the Designated Representative, the Manager, the assistant managers and other key employees of the Gus's Restaurant to attend, at your expense, ongoing training at our training facility, or at the Gus's Restaurant or another location we designate. In addition, we may develop and require you to purchase an in-restaurant training program. You are solely responsible for all expenses associated with these programs including the then-prevailing standard training fee we charge for these programs (currently $750 per day) and all travel, meals and lodging costs of your attendees. These training fees will not exceed $5,000 within any given 12-month period. [Subsection 2.13(j) of the Franchise Agreement.]

New Employee/Agent Training. If you do not have at least 2 employees that have attended the Initial Training or a subsequent and equivalent training program conducted by us, new employees must be either trained at our Company-Owned Unit in Memphis, Tennessee or onsite in the Gus's Restaurant. We must approve all New Trainees. Each New Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations and Policies Manual) as a condition of our approval. All New Trainees must attend and successfully complete our New Employee Training to our satisfaction. The New Employee Training program includes restaurant development, food preparation, product purchasing and sources of supply, instruction in marketing, promotion and advertising, merchandising techniques, sales techniques, customer service techniques and procedures for services; however, the training programs may differ in content and length for your employees depending upon their previous experiences and their responsibilities at your Gus's Restaurant. Training at our Company-Owned

Unit in Memphis, Tennessee, currently costs $100 per day, plus as all travel, meals and lodging costs of your attendees, and onsite training in your Gus's Restaurant currently costs $500 per day, plus all reasonable travel, meals and lodging costs of our representative or trainer. If you elect to have more than 8 New Trainees attend the New Employee Training, we will try to accommodate you, however, we reserve the right to charge you a training fee for each additional person (currently $500 per day) in addition to all reasonable expenses associated therewith. [Subsection 2.13(k) of the Franchise Agreement.]

New Manager Training. If the Manager fails to satisfy his or her obligations provided in the Franchise Agreement due to death, disability, termination of employment or for any other reason, you will satisfy these obligations until you designate a new Manager acceptable to us who has successfully completed Initial Training. All replacement managers must complete training to our satisfaction, and must begin training within 6 weeks of the time of hire. You are solely responsible for the expenses associated with Initial Training, including the then-prevailing standard training fee we charge (currently $500 per day). [Subsection 4.5(d) of the Franchise Agreement.]

Attendance and Completion of Training. The training programs identified in this ITEM 11 must be attended and successfully completed to our satisfaction.

English Language Proficiency

We conduct our training in English. The Manual and other materials we provide to you are written in English. Our written and oral communications with you will be in English. We are planning to implement an English language proficiency requirement. We anticipate that once implemented, before attending training, a person whose native language is not English, or who does not meet other criteria, will first need to score sufficiently high, as determined solely by us, on a professionally administered English language proficiency examination. If you are not fluent in English, then it might be in your best interest to take the English language proficiency examination before coming to our offices for an interview or before applying for a franchise. We do not anticipate requiring certain persons to take an English language proficiency examination, including persons who attended and graduated from an accredited college or university in an English-speaking country, where the course of study was taught in English, or who meet other similar criteria that we from time to time establish.

DEVELOPMENT AGREEMENT

Pre-Opening Obligations

We designate your Development Territory. (Development Agreement, Section 2.1)

You must locate each of your Franchise Businesses in the Development Territory, and for each, you must propose the specific sites for our consideration, according to the process above. You are solely responsible for locating and obtaining sites that meet our standards and criteria and that is acceptable to us. (Area Development Agreement, Section 2.1)

Time Period

The typical length of time between the signing of the Development Agreement and the opening of the 1st Gus's Restaurant varies from 3 to 9 months.

Ongoing Obligations After Opening

We have no ongoing obligations to you under the Development Agreement.

Optional Assistance After Opening

We do not offer to you any optional assistance after you open.

Advertising Programs

There are no advertising programs under the Development Agreement.

Training for Developers

There are no separate training programs for Developers.

ITEM 12 - TERRITORY

FRANCHISE AGREEMENT

Location of Franchised Unit

You agree to acquire a site we approve in accordance with the terms of the Franchise Agreement at which you will construct and operate the Franchise Business. You may not change the location without our written consent and compliance with our relocation procedures.

Minimum Territory

We grant you a minimum or limited protected territory ("Limited Protected Territory") having a residential population of the lesser of approximately 30,000 to 40,000 people or the residential population of the designated minimum territory existing as of the Agreement Date of the Franchise Agreement.

Relocation Rights

Loss of Lease. If you lease the Premises and the lease expires or terminates (provided termination is not due to your default) before the expiration of the Franchise Agreement, we permit you 60 days in which to locate and secure new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with the Franchise Agreement. You have 150 days from the date you sign a new lease in which to open and begin full operation of the Gus's Restaurant in compliance with the Franchise Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

Casualty. If the Premises is substantially destroyed by fire or other casualty, we permit you 60 days in which to locate and lease new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the exclusive or limited protected territory of a

Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with the Franchise Agreement. You have 150 days from the date you sign the new lease in which to open and begin full operation of the Gus's Restaurant in compliance with the Franchise Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

Condemnation. You will give us notice of any proposed taking of the Premises by eminent domain, as soon as possible. We permit you 60 days from the date you have to vacate the Premises in which to locate and lease new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the exclusive territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with the Franchise Agreement. You have 150 days from the date you sign the new lease in which to open and begin full operation of the Gus's Restaurant in compliance with the Franchise Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

Relocation Fee. If you must relocate your Gus's Restaurant, you will reimburse us for our costs incurred in assisting you with the relocation.

No Exclusive Territory

You will not receive an exclusive territory. You may face competition from other Franchised Units, Company-Owned Units, or from other channels of distribution or competitive brands that we control.

Limited Protected Territory

We grant you a Limited Protected Territory that we will defined in the Franchise Agreement if you have an approved location that we approve at the time the parties sign the Franchise Agreement or in the Approved Location Addendum if an approved location does not currently exist. As provided above, the Limited Protected Territory will have a residential population of the lesser of approximately 30,000 to 40,000 people and will be mutually agreed upon by you and us. During the Initial Term, if you are not in default under the Franchise Agreement, we agree not to open the premises of a Company-Owned Unit within your Limited Protected Territory or franchise another Gus's Franchise having premises located within your Limited Protected Territory. This does not mean that there might not be overlap with a Company-Owned Unit's or another Franchise Unit's limited protected territory as long as the premises of the Company-Owned Unit or the other Franchise Unit is not physically located in your Limited Protected Territory. In addition, we expressly reserve the rights stated in the Franchise Agreement that are superior to your rights.

Our Right to Modify the Limited Protected Territory. We may not unilaterally alter your Limited Protected Territory. The parties may alter the Limited Protected Territory by a written amendment to the Franchise Agreement signed by the parties.

No Options, Rights of First Refusal or Similar Rights

Except for any Development Rights for which you have contracted, you have no right or option to purchase additional Franchise Businesses, no right of first refusal to purchase additional

Franchise Businesses and no similar rights to acquire additional Franchise Businesses.

Our Reserved Rights

You agree that the license of the Intellectual Property granted to you is non-exclusive. In addition to our right to use and grant others the right to use the Intellectual Property outside the Limited Protected Territory, we expressly reserve all rights that we do not expressly grant to you in the Franchise Agreement concerning the Intellectual Property or other matters, including:

Non-Traditional Sites. We have the right to establish, develop, license or franchise a Unit within your Limited Protected Territory if the Unit is to be located at a Non-Traditional Site. A Non-Traditional Site means an Unit that serves primarily the customers located within the facility, including: (i) captive audience facilities (examples include parks charging admission, stadiums, amusement parks and centers, and theaters); (ii) limited purpose facilities (examples include airports, transportation centers, department stores, business and industrial complexes, museums, educational facilities, hospitals, and recreational parks); (iii) limited access facilities (examples include military complexes, buyer club businesses, educational facilities, and business and industrial complexes); (iv) other types of institutional accounts; and (v). temporary event locations (for example, food shows, trade shows, athletic competitions, trade competitions, fundraisers or charitable events, conventions, fairs, and other community gatherings).

Different Business Models. We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by the Franchise Agreement within or outside the Limited Protected Territory, regardless of its proximity to, or potential impact on, the Gus's Restaurant, without offering or providing you any rights in, to, or under the other systems.

Dissimilar Channels of Distribution. We have the right to sell or offer to sell similar products and services authorized for the Gus's Restaurant using our trademarks or copyrights through dissimilar channels of distribution including the Internet, catalog sales, telemarketing, or other direct marketing within or outside the Limited Protected Territory and under any terms that we deem appropriate, regardless of their potential impact on your Gus's Restaurant, without offering or providing you the right to participate or receive any compensation.

Other Retail Sales. We have the right to sell and distribute products or license others to sell and distribute products, within or outside the Limited Protected Territory, through grocery or convenience stores or other similar retail stores. The products may include those bearing our Principal Trademarks and you acknowledge that you will not receive any compensation for these sales.

National Accounts. We have the right to establish programs involving National Accounts retaining the sole right to sell or provide services to the National Account. If there is a branch of a National Account located within your Limited Protected Territory, you may sell or provide your services to the National Account in accordance with the prices we have negotiated, in accordance with the provisions regarding the National Account Program contained in the Operations and Policies Manual.

Acquisition of Competitive Business. If we acquire a Competitive Business and Units of the Competitive Business encroach upon your Limited Protected Territory, we will have 1 year from the date of acquisition of the Competitive Business to sell the encroaching Units without being in default under the Franchise Agreement.

No Compensation to You.

We will not compensate you for any of these sales made within your Limited Protected Territory.

Restrictions on Advertising and Operating Outside of Limited Protected Territory

You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent. You cannot engage in catering and delivery services and activities outside the Limited Protected Territory, unless we authorize you in writing.

Our Operation of a Similar Business Under a Different Mark

Neither we nor any Affiliate operate or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

DEVELOPMENT AGREEMENT

No Minimum Territory

You are not obtaining any minimum territory as a developer but we grant you a Development Area described below.

Relocation Rights

There are no relocation rights under the Development Agreement.

No Exclusive Territory

You will not receive an exclusive territory. You may face competition from other Franchised Units, Company-Owned Units, or from other channels of distribution or competitive brands that we control.

Development Area and Limited Protected Territory

In accordance with the terms and conditions of a Development Agreement, a form of which is attached as Exhibit D, we grant to you the exclusive right to construct open and operate Gus's Restaurants within the Development Area ("Development Rights"), each operating under a Franchise Agreement with us, in accordance with a development schedule ("Development Schedule") under which you must open a specified number of Gus's Restaurant within a specified time. The Development Area will usually be a county within a state. For the perimeter of the Development Area, you agree that you will not select a site that is within the limited protected territory of a Company-Owned Unit or Franchise Unit that is operating or under construction. Subject to our rights described in the "Our Reserved Rights" paragraph below, we agree not to open a Company-Owned Unit or a Franchise Unit within the Limited Protected Territory of any of your Gus's Restaurants even if the Limited Protected Territory extends outside the Development Area. For each Franchise Unit you develop, you must sign our then-current form of Franchise Agreement and pay the balance of the Initial Franchise Fee at the time you sign a lease. If you fail to timely achieve the Development Schedule, you may lose all future Development Rights and we may retain the Development Fee, if we elect to terminate the Development Agreement. We will then have the right to reassign these Development Rights to another party or we may retain these rights. You may keep your Franchise Units then developed or under construction, provided you are not in default under the Franchise Agreements. The material terms of the then-current form of Franchise Agreement may vary substantially from the Franchise Agreement contained in Exhibit C. You must purchase your first Franchise Unit when you sign the Development Agreement and the Franchise Agreement. If you are not purchasing Development Rights, you can ignore Exhibit D and the provisions of this Franchise Disclosure Document involving Development Rights.

Except as stated in the Development Agreement, while the Development Agreement remains in effect and you have complied with the Development Schedule and have not otherwise defaulted under the Franchise Agreement, we:

(a) will not enter into Franchise Agreements for the purpose of operating Gus's Restaurants with any person or Business Entity other than you within the Development Area; and

(b) will not establish Company-Owned Units within the Development Area.

If we determine that it is necessary to locate a Company-Owned Unit or Franchise Unit in the Development Area to prevent a Competitive Business from being located in the Development Area, we will give you written notice of this determination and advise you of the proposed location of the proposed Unit. For 30 days after the date of the notice, you have the sole option to purchase a Gus's Restaurant for the location; provided you are not ineligible to operate the Franchise Unit at the proposed location due (for example, due to governmental restrictions). If you fail to exercise this option, we have the right to open a Company-Owned Unit or grant a Franchise Unit at that location without any liability to you.

Our Right to Modify the Limited Protected Territory. We may not unilaterally alter your Development Area. The parties may alter the Development Area by a written amendment to the Development Agreement signed by the parties.

Approval of Locations of Future Franchise Units

We must approve the location of your future Franchise Units in the Development Area. Our then current standards for locations and territories will apply. For each approved location, we will grant you a Limited Protected Territory as described above. For the perimeter of the Development Area, you agree that you will not select a Location that is within the limited protected territory of a Company-Owned Unit or Franchised Unit that is operating or, under lease or construction. We agree not to open a Company-Owned Unit or a Franchised Unit within the Limited Protected Territory of any of your Franchise Businesses even if the Limited Protected Territory extends outside the Development Area.

Our Reserved Rights

In addition to our right to use and grant others the rights to use the Principal Trademarks outside the Development Area, all rights not expressly granted to you in the Franchise Agreement concerning the Principal Trademarks or other matters are expressly reserved by us, including:

Non-Traditional Sites. We have the right to establish, develop, license or franchise an Unit within your Development Area if the Unit is to be located at a Non-Traditional Site.

Different Business Models. We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by the Franchise Agreement within or outside the Development Area, regardless of its proximity to, or potential impact on, the Gus's Restaurant, without offering or providing you any rights in, to, or under the other systems.

Dissimilar Channels of Distribution. We have the right to sell or offer to sell similar products and services authorized for the Gus's Restaurant using our trademarks or copyrights through dissimilar channels of distribution including the Internet, catalog sales, telemarketing, or other direct marketing within or outside the Development Area and under any terms that we deem appropriate, regardless of their potential impact on your Gus's Restaurant, without offering or providing you the right to participate or receive any compensation.

Other Retail Sales. We have the right to sell and distribute products or license others to sell and distribute products, within or outside the Development Area, through grocery or convenience stores or other similar retail stores. The products may include those bearing our Principal Trademarks and you acknowledge that you will not receive any compensation for these sales.

National Accounts. We have the right to establish programs involving National Accounts retaining the sole right to sell or provide services to the National Account. If there is a branch of a National Account located within your Development Area, you may sell or provide your services to the National Account in accordance with the prices we have negotiated, in accordance with the provisions regarding the National Account Program contained in the Operations and Policies Manual.

Acquisition of Competitive Business. If we acquire a Competitive Business and Units of the Competitive Business encroach upon your Development Area, we have 1 year from the date of acquisition of the Competitive Business to sell the encroaching Units without being in default under the Franchise Agreement.

No Compensation to You

We will not compensate you for any of these sales made within your Limited Protected Territory.

Restrictions on Advertising and Operating Outside of DMA

You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent.

No Options, Rights of First Refusal or Similar Rights

Except for the Development Rights you have purchased, you have no option to purchase an additional Franchise Business, no right of first refusal to purchase an additional Franchise Business and no similar rights to acquire additional Franchise Business in the Development Area or any contiguous territory.

Our Operation of a Similar Business Under a Different Mark

Neither we nor any Affiliate operate or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

ITEM 13 - TRADEMARKS

We will grant you, as a Franchisee, the right to operate a Gus's Restaurant under the trademarks described and discussed below. You may also use other current or future trademarks that we develop for use with the Gus's Restaurant locations covered by your Franchise Agreement.

Federal Registrations on Principal Register

Our affiliate and intellectual property licensor, Gus's IP, owns the following Principal Trademark and other Marks registered on the Principal Register of the United States Patent and Trademark Office that we sublicense to you for your use in operating the Franchise Business under the Franchise Agreement:

Mark	International Class	Registration Date	Registration Number
GUS'S WORLD FAMOUS FRIED CHICKEN (words only)	43[1]	October 10, 2017	5304065
GUS'S WORLD FAMOUS FRIED CHICKEN (words and design)	43[1]	October 10, 2017	5304064
Mark	**International Class**	**Registration Date**	**Registration Number**
A BONNER FAMILY RECIPE SINCE 1953	43[1]	April 3, 2018	5438914
A MEMPHIS TRADITION	43[1]	April 3, 2018	5438915

[1] Restaurant services; restaurant services featuring fried chicken; restaurant services, including sit-down service of food and take-out restaurant services, featuring fried chicken; restaurant services, namely, providing of food and beverages for consumption on and off the premises, featuring fried chicken; take-out restaurant services, featuring fried chicken

There are a number of restaurants operating under a name that includes the name "Gus" or "Gus's" across the United States. We are party to a Trademark Coexistence Agreement ("Coexistence Agreement") with Gus's BBQ, Inc., the owner of one restaurant operated under the registered trademark, GUS'S (U.S. Fed. Reg. No. 3871860). In accordance with the terms of the Coexistence Agreement, our use of the Principal Trademarks is limited to the services described in Footnote 1 to the above table, and to cause franchisees operating restaurants in the same municipality as Gus's BBQ, Inc. to also utilize one or more slogans such as those set forth in the above table. In exchange, Gus's BBQ, Inc. agreed to consent to the registration of the Principal Marks and to refrain from offering the services described in Footnote 1 to the above table.

State Registrations

Our Predecessor registered the following Principal Trademark with the Secretary of State of Tennessee:

Mark	Classes	Registration Date
GUS'S WORLD FAMOUS FRIED CHICKEN (words only)	16, 25, 29, 30, 35, and 43	April 3, 2012

Our Predecessor then assigned its Tennessee registration to our Parent, which in turn assigned it to Gus's IP.

Except as noted in the below section entitled "Superior Prior Rights or Infringing Uses," the Principal Trademark and other Marks have not been registered or filed for registration in any other state.

Common Law Rights

As described more particularly in ITEM 1, our Predecessor has been using the Principal Trademark and other Marks for years thereby acquiring common law rights in the trademarks. Our Predecessor subsequently assigned these trademarks and the common law rights associated with them to our Parent, which in turn assigned them to Gus's IP for license to us.

Ancillary Trademarks

Gus's IP owns various registered and unregistered trademarks for use in connection with our branded merchandise, including, cups, t-shirts and certain other articles of clothing.

Mark	International Class	USPTO Registration Date	USPTO Registration No.
GUS'S WORLD FAMOUS FRIED CHICKEN (words only)	21	November 3, 2015	4845571
GUS'S WORLD FAMOUS FRIED CHICKEN (words and design)	21	N/A	N/A
GUS'S WORLD FAMOUS FRIED CHICKEN (words only)	25	November 3, 2015	4845789
GUS'S WORLD FAMOUS FRIED	25	N/A	N/A

CHICKEN (words and design)			

Material Determinations and Proceedings

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There is no past or pending infringement, opposition or cancellation proceeding in which our Parent, Gus's IP, or we unsuccessfully sought or seek to prevent registration in order to protect the Principal Trademarks we sublicense to you.

Pending Trademark Litigation

There is no currently pending material federal or state court litigation involving the use of, or ownership rights in, the Principal Trademarks.

Renewal of Federal Registrations

Since none of our federal registration is at least 5 years old, we have not filed a Declaration of Use under Section 8 of the U.S. Trademark Law and a Declaration of Incontestability under Section 15 of the U.S. Trademark Law with the USPTO. The Principal Trademark remains contestable. We do not have to renew the registration of the Principal Trademark at this time.

Currently Effective Agreements

The Principal Trademark and other Marks were acquired by our Parent pursuant to an asset purchase agreement and separate assignment of trademarks with our Predecessor, the prior owner of the Gus's World Famous Fried Chicken restaurant concept. Our Parent then assigned the Principal Trademarks to our affiliate, Gus's IP, which in turn has granted us rights pursuant to a license agreement dated January 1, 2013 (the "IP License Agreement"), to sublicense the Principal Trademarks and other Intellectual Property to our franchisees. Our license to you will be granted through, and in accordance with the terms and conditions set forth in, the Franchise Agreement. A breach by our Parent of the asset purchase agreement with our Predecessor or by us under the IP License Agreement will not, however, result in forfeiture by you of any Gus's Restaurants opened by you or under construction under a valid Franchise Agreement. To ensure that the quality of the products and services offered at the Gus's Restaurant complies with the standards, operating procedures and specifications provided for in the Franchise Agreement, we will provide Gus's IP access to certain information pertaining to the Gus's Restaurant and the Franchise Agreement. There are no other agreements currently in effect that significantly limit our rights to use or to sublicense the use to Gus's Restaurants of the Principal Trademarks and the other Intellectual Property in any manner material to you.

Our Indemnification of You for Claims

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademark, the other Marks or any of the other Intellectual Property, or if you become aware of any use of, or claims to, any of the Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We, along with Gus's IP have sole discretion as to whether we take any action on any infringement, challenge or claim. Gus's IP has the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Intellectual Property. You must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property. We will indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any of the Intellectual Property in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

Modification of Principal Trademarks

If we deem it advisable to modify or discontinue the use of the Principal Trademarks or other Intellectual Property and/or use an additional or substitute name or mark, including due to the rejection of any pending application for registration or revocation of any existing registration of any of the Intellectual Property, due to the rights of senior users, our negligence or a radical change in direction of the Business System we unilaterally cause or mandate, you are obligated to do so at your expense within 30 days of our request. We will only be liable to reimburse you for your reasonable direct printing and signage expenses in modifying or discontinuing the use of the principal trademark and substituting a different principal trademark. These expenses do not include expenditures you make to promote the modified or substituted principal trademark. If the modification or discontinuation of the use of the Principal Trademarks or other Intellectual Property is due to a continuing need to modernize the Business System, you will be liable for all expenses in substituting the modified or new Intellectual Property in your Gus's Restaurant, subject to the Capital Expenditure Limitation.

Superior Prior Rights or Infringing Uses

Except for the rights of Gus's BBQ, Inc. under U.S. Fed. Reg. No. 3871860, which rights are the subject to a Trademark Coexistence Agreement with Gus's IP, discussed in greater detail under the first and second headings in this ITEM 13, there are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Principal Trademark and other Marks. In addition, our registration of the Principal Trademark does not prohibit others from using the Principal Trademark or confusingly similar variations of the Principal Trademark who may have established prior rights to the use of the Principal Trademark, or confusingly similar variations of the Principal Trademark, in those territories where neither we nor our Franchisees have operated or advertised under the Principal Trademark and that are not within the natural zone of expansion for future Franchised Units or Company-Owned Units; provided others do so in good faith and without actual knowledge of our existence or our Franchisees' use of the Principal Trademark. We would therefore be unable to prohibit the use of the Principal Trademark by others who had prior use of the Principal Trademark or confusingly similar variations of the Principal Trademark when we first used it. If others establish prior rights to the Principal Trademark in certain territories, we may be restricted in our ability to use and sublicense the use of the Principal Trademark when expanding into those territories.

You are not granted the right to use the Trademarks under the Development Agreement. The right to use the Trademarks can only be acquired by the execution of a separate Franchise Agreement for each Franchise Business to be opened and operated under the Development Agreement.

ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

Neither we nor our affiliate, Gus's IP, currently own any rights in any patents or have any patents pending that are material to the Gus's Restaurant. If, however, we develop any patents material to the Gus's Restaurant, we reserve the right to license them to you at a fair license fee that we determine.

Copyrights

Our Parent has acquired under the asset purchase agreement with our Predecessor various unregistered Copyrights covering works and materials used in our business and the operation of Company-Owned Units and Franchised Units, including the Operations and Policies Manual, advertising, promotional literature, or any other works protectable under the copyright laws. These works and materials will be conveyed to Gus's IP, and then licensed to us. In addition, Gus's IP owns or has the right to use other original and derivative copyrightable works such as architectural designs, plans, specifications, menus, photographs and décor. We do not sublicense the Copyrights in these materials to you under the Franchise Agreement but we consent to your use in accordance with the terms of the Franchise Agreement.

These Copyrights have not been registered with the United States Registrar of Copyrights but Gus's IP may do so in its sole discretion. We prohibit you from attempting to register with the United States Copyright Office any works you create. You will not otherwise claim authorship or exclusive ownership of any of the works, and will assign to us upon request any copyrightable works that you do create.

We loan you the Operations and Policies Manual as discussed in ITEM 11.

Material Determinations

There are not currently any effective determinations of the United States Patent and Trademark Office, United States Copyright Office, or a court regarding any of our Copyrights.

Currently Effective Agreements

The only currently effective agreements related to the Copyrights and proprietary information described in this ITEM 14 are those related to their acquisition and use by us – namely, the asset purchase agreement with our Predecessor, and the license agreement with our affiliate, Gus's IP (see "Currently Effective Agreements," p.54 above).

Our Indemnification of You for Claims

If there is any claim of copyright infringement, unfair competition or other challenge to your right to use of any Copyright, or if you become aware of any use of, or claims to, any Copyright by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except Gus's IP, our Parent, us, and our respective counsel on any infringement, challenge or claim except under judicial process. Gus's IP has sole discretion as to whether it takes any action on any infringement, challenge or claim. Gus's IP has the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Copyright. You must sign all documents, render all assistance, and do all acts that Gus's IP's attorneys or our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Copyright or otherwise to protect and maintain our interests in the Copyright. We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any Copyright in accordance with the Franchise Agreement, provided you: (a) have timely notified us of the claim or proceeding; (b) have otherwise complied with the Franchise Agreement; (c) allow us sole control of the defense and settlement of the action; and (d) cooperate fully with our counsel in the defense of the action.

Modification

If we deem it advisable to modify or discontinue use of any copyrighted work and/or use one or more new or derivative copyrighted works, you must do so and our sole obligation in this event is to reimburse you for your tangible costs (for example, changing materials) of complying with this obligation.

Infringing Uses

We are not aware of any infringing uses that could materially affect your use of the patents or copyrights in the state where your Gus's Restaurant is to be located.

Proprietary Rights in Confidential Information and Trade Secrets

The Operation and Policies Manual, Recipes, and other copyrighted materials we make available to you contain confidential and proprietary information and are our trade secrets. We possess and will continue to develop and acquire confidential and proprietary information, and trade secrets. The confidential information consists of the following categories of information, methods, techniques, procedures and knowledge we, our Affiliates, or our Franchisees develop (collectively, the "Confidential Information") including: (a) our methods, techniques, tools, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of the experience in our development, operation and franchising; (b) our marketing and promotional programs for Gus's Restaurants; (c) knowledge of specifications for and knowledge of our suppliers of certain materials, equipment, furniture and fixtures for a Gus's Restaurant; and (d) knowledge of our customer lists, operating results and financial performance.

We will disclose to you the Confidential Information required for the operation of the Gus's Restaurant during Initial Training, in the Operations and Policies Manual, and in the guidance and assistance that we furnish you, and you may learn of additional Confidential Information. You may disclose the Confidential Information to your employees or other persons only to the extent reasonably necessary, and provided the person has signed our form of Confidentiality and Non-Competition Agreement before disclosure. You agree, during and after the Initial Term, that you, your Franchise Owners, employees and independent contractors will: (i) not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the restaurant concept; (ii) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term; (iii) not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form or electronic form; and (iv) adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information.

We also consider our Trade Dress (that is, elements of the Gus's method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and state law.

Nothing contained in the Franchise Agreement prohibits you from using the Confidential Information in the operation of your Gus's Restaurant under the terms of your Franchise Agreement.

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

Business Entity Franchisee

If you are a Business Entity, the Franchise Owners must personally guaranty the Franchisee's obligations under the Franchise Agreement and all other agreements by signing the Guaranty of Developer's/Franchisee's Obligations included in Exhibit H.

Designated Representative

If the Franchise Agreement is signed by 2 or more individuals or by a Business Entity, you agree to designate in writing 1 individual or a Franchise Owner as the Designated Representative upon signing the Franchise Agreement. We have the right to rely solely on instructions of the Designated Representative concerning the operation of the Gus's Restaurant until we receive a duly signed written notice changing the Designated Representative.

Your Active Participation in Your Franchise

You are not our employee. You are your own boss running your own business subject to our rights under your Franchise Agreement. You acknowledge and agree that your Gus's Restaurant is not a "passive" investment. We recommend that you be active in the operation of your Gus's Restaurant but we do not require any personal "on-premises" participation by you provided you hire a trained Manager. We do not require any personal participation of any specific Franchise Owner. You are solely liable and responsible for the operation of the Gus's Restaurant in accordance with the terms of the Franchise Agreement and the Operations and Policies Manual, regardless of whether you choose to operate the Gus's Restaurant as a full-time owner/operator or hire a Manager.

Manager

Either Trainee may act as Manager. Your Manager need not be a Franchise Owner. You acknowledge that, if you choose to operate the Gus's Restaurant using a Manager, you may experience lower sales and/or higher costs than other Franchise Units managed by owner/operators. The Manager must devote his or her best reasonable full-time efforts to the management and operation of your Gus's Restaurant. You agree that your Gus's Restaurant requires the day-to-day supervision of the Manager at all times your Gus's Restaurant is open for business. The Manager must complete Initial Training before managing your Gus's Restaurant, unless we otherwise agree in writing.

Changes in Manager

If the Manager fails to satisfy his or her obligations due to the Manager's death, disability, termination of employment or for any other reason, you will satisfy these obligations until you designate a new Manager acceptable to us who has successfully completed Initial Training. You are solely responsible for the expenses associated with Initial Training, including the then-prevailing standard training fee we charge (currently $500 per day).

Equity Interest.

If you retain a Manager, the Manager does not have to own an equity interest in the Business Entity.

Restrictions on Manager and Other Employees

Any Manager, assistant manager and other employees having access to our Operations and Policies Manual and other Confidential Information must sign our form of Confidentiality and Non-Competition Agreement included in the Operations and Policies Manual.

ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Use of the Premises

You must use your Premises only for the operation of your Gus's Restaurant. You must keep your Gus's Restaurant open for business and in normal operation for the minimum hours and days as we reasonably require in the Operations and Policies Manual or otherwise in writing except as may be limited by local law or the landlord's rules and regulations.

Approved Products and Services

You must sell or offer for sale only the products, services and Menu Items that meet our uniform standards of quality and quantity, and we have expressly approved for sale in the Operations and Policies Manual or otherwise in writing at retail to consumers from your Gus's Restaurant. You may not sell any items for redistribution or resale. You must: (i) offer for sale all approved products, services and Menu Items; (ii) refrain from any deviation from our standards and specifications for providing or selling the approved products, services and Menu Items without our written consent; and (iii) discontinue selling and offering for sale any items as we, in our discretion, disapprove in writing. We have the right to change the authorized products, services and Menu Items at any time based on our experience.

Sales Restrictions

We do not restrict you in the type of customers to whom you may sell approved products or services. We may suggest but do not dictate the prices you charge for the products you sell and the services you render. You may engage in take-out from your Premises. You may also engage in catering and delivery services and activities within the Limited Protected Territory. You cannot engage in catering and delivery services and activities outside the Limited Protected Territory, unless we authorize you in writing. You must provide any catering and delivery services in accordance with the terms of the Operations and Policies Manual and the Franchise Agreement. We retain the right to revise and/or make exceptions to these policies as they apply to you and other Franchisees. You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent.

Advertising Restrictions

You will not solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising or solicitation method without our prior written consent.

Vending Services.

If you install or maintain on your Premises any newspaper racks, video games, jukeboxes, gum machines, games, rides, vending machines, or other similar devices that do not meet with our approval, you must remove them within 3 days from receiving our written notice. Pool tables, cigarette vending machines, gambling and gaming machines or games of chance are not allowed without our prior written approval.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Franchise Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 16.1	The initial term of the Franchise Agreement is 15 years beginning on the Agreement Date.
b. Renewal or extension of the term[1]	Section 16.2 and 16.3	You have the right to renew for an unlimited number of additional terms of 10 years each, if you meet the requirements for renewal.
c. Requirements for you to renew or extend[1]	Sections 16.2 and 16.3	1. You must give us timely written notice of your intention to exercise the option; 2. You must complete to our reasonable satisfaction, all maintenance, refurbishing, renovating and upgrading we require; 3. If renovation or maintenance of your Gus's Restaurant is not possible or feasible, you must relocate your Gus's Restaurant within your Limited Protected Territory but not within the exclusive territory of a Company-Owned Unit or another Franchise Unit;

Provision	Section in Franchise Agreement	Summary
		4. You must not be in default of your Franchise Agreement or any other agreement with us or our Affiliates; 5. You will sign a Renewal Franchise Agreement that may impose materially different terms and conditions than those in your original Franchise Agreement. You will not pay another Initial Franchise Fee but you will pay a Renewal Fee of $12,500; 6. You must sign a Franchise Termination and Release Agreement releasing of all claims against us and our Affiliates, and their respective officers, directors, shareholders, agents and employees, the form included in Exhibit N; and 7. You must be entitled to continue to occupy your Premises for the entire Renewal Term or must obtain our approval of a new location for your Gus's Restaurant within your Limited Protected Territory but not within the exclusive territory of a Company-Owned Unit or another Franchise Unit in accordance with the Franchise Agreement. If you have not met all of the conditions stated in the Franchise Agreement, we may elect not to enter into a successor franchise agreement (a "Successor Franchise Agreement"). If, within 5 days of notice from us that you have elected not to enter into a Successor Franchise Agreement, you request our permission for you to sell your Franchise Business, then for a 180-day period following this notice (this notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have grounds to otherwise terminate the Initial Term), we will permit you to sell your Gus's Restaurant to a purchaser subject to our right of first refusal. This transfer must be in compliance with the provisions of the Franchise Agreement and all the other applicable terms of the Franchise Agreement. During this period, you must continue to operate your Gus's Restaurant. You will be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you[1]	Section 11.1	If you have substantially complied with the Franchise Agreement and we materially breach the Franchise Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or, within a longer period if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate the Franchise Agreement. You may also terminate the Franchise Agreement upon the mutual written agreement with us. Any termination of the Franchise

Provision	Section in Franchise Agreement	Summary
		Agreement by you other than as stated above is a wrongful termination by you.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 11.2, 11.3 and 11.4	We may only terminate your Franchise Agreement with cause.
g. "Cause" defined – curable defaults	Section 11.4	You may cure any non-monetary default other than those specified in Sections 11.2 and 11.3 of your Franchise Agreement within 30 days of written notice from us of the default.
h. "Cause" defined – non-curable defaults[1]	Sections 11.2 and 11.3	The following defaults may not be cured: 1. Violation of environmental laws; 2. Insolvency or general assignment for creditors; 3. Filing in bankruptcy; 4. Adjudication of bankruptcy; 5. Filing for appointment of a receiver or custodian; 6. Appointment of a receiver or custodian; 7. Filing for composition with creditors; 8. Judgment of $5,000 or more remains unsatisfied; 9. Execution of levy; 10. Filing of foreclosure suit; 11 Sale of your assets after levy; 12. Abandonment; 13. Threat to public safety remains uncorrected; 14. Failure to maintain cleanliness or sanitation; 15. Conviction of any offense that might materially adversely affect the Business System; 16. You deny us our right of inspection or audit; 17. You engage in deleterious conduct; 18. Unauthorized assignment; 19. Breach of confidentiality or noncompetition provisions of your Franchise Agreement; 20. You knowingly maintain false books or records; 21. Failure to timely transfer on your death or incapacity; 22. Uncured default under your lease; 23. You misuse any of the Intellectual Property; 24. Material adverse change in the financial condition of any Guarantor; or 25. Three or more notices of default for same or similar default during any 12 consecutive months.
i. Your obligations on termination/non-renewal[1]	Sections 13.1(a)(ii), 14.2 ARTICLES 6	You must: 1. Not compete with us or any of our Gus's Restaurants for 24 months after the end of your Franchise Agreement within 10 miles of any Gus's Restaurant or Company-Owned Unit

Provision	Section in Franchise Agreement	Summary
	and 12	then in operation or under contract. 2. Indemnify us from any losses or damages we sustain as a result of your Gus's Restaurant; 3. Maintain confidentiality of all our Confidential Information; 4. Cease operating your Gus's Restaurant; 5. Pay all amounts you owe to us; 6. Comply with our option to purchase your Gus's Restaurant; 7. Distinguish your Premises from any indicia of the Business System; 8. Avoid unfair competition with us; 9. Return all Intellectual Property to us; 10. Discontinue use of the Principal Trademark; 11. Assign your lease to us; and 12. Pay us liquidated damages. 13. If you are an Area Developer, you may lose your Development Rights.
j. Assignment of contract by us	Section 10.1	We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under the Franchise Agreement to any person without your consent or approval.
k. "Transfer" by you defined	Sections 10.2 and 10.3	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Franchise Agreement or in your Gus's Restaurant. A transfer of less than 25% of the voting rights or ownership interests in the above and a transfer to any other original owner of your Gus's Restaurant is not considered a transfer.
l. Our approval of transfer by you	Sections 10.2 and 10.3	We have the right to approve or disapprove of any transfers.
m. Conditions for our approval of transfer	Sections 10.2 and 10.3	1. We do not exercise our right of first refusal; 2. You are not in default under any agreement you have with us or any Affiliate; 3. You must sign the Franchise Termination and Release Agreement, the form of which is attached as Exhibit N; 4. The transferee may not have any other business that competes with us or any Gus's Restaurant; 5. The transferee must sign a new franchise agreement that may impose materially different terms and conditions than those in your original Franchise Agreement but the transferee will not have to pay a new Initial Franchise Fee; 6. The transferee must pay a transfer fee of $12,500;

Provision	Section in Franchise Agreement	Summary
		7. We must interview and approve the transferee; 8. The transferee must satisfactorily complete our application procedures; 9. The transferee must renovate your Gus's Restaurant as we specify; 10. The transferee must properly assume all your obligations, including your lease; 11. The transferee must successfully complete Initial Training ; and 12. We must approve of the proposed terms of sale or other factors involved in the transfer. Your buyer will be asked to sign a contract with materially different terms and conditions than your original contract.
n. Our right of first refusal to acquire your business	Section 10.5	We have the option to purchase on the same terms as contained in the Offer. We will give you written notice of election within 30 days after our receipt of the Offer notice and all required information.
o. Our option to purchase your business	Section 12.4	We have the right (but not the duty), exercisable upon written notice to you given within 30 days after termination of the Franchise Agreement, to purchase for cash any assets of your Gus's Restaurant at the fair market value.
p. Your death or disability	Section 10.4	You or your representative must: 1. Provide a replacement manager satisfactory to us; and 2. Your personal representative must transfer the Gus's Restaurant within 8 months of your death in accordance with the transfer provisions of your Franchise Agreement.
q. Non-competition covenants during the term of the franchise[1]	Subsection 13.1(a)(i)	You may not: 1. Influence any Business Associate of us to modify its relationship with us; 2. Have any involvement with any Competitive Business; or 3. Interfere with our business or any of our other Gus's Restaurants.
r. Non-competition covenants after the franchise is terminated or expires[1]	Subsection 13.1(a)(ii)	You may not, for 24 months after the end of your Franchise Agreement: 1. Influence any Business Associate of us to modify its relationship with us; 2. Have any involvement with any Competitive Business, within 10 miles of any Gus's Restaurant then in operation or under contract; or 3. Interfere with our business or any of our other Gus's Restaurants.
s. Modification of the agreement	Sections 1.2, 6.3, 13.1(e), 19.1, 19.2 and 19.3	Your Franchise Agreement may not be modified without the consent of both you and us except: 1. We may change the contents of the Operations and Policies Manual;

Provision	Section in Franchise Agreement	Summary
		2. We may modify the Business System; and 3. A court may modify any provision of your Franchise Agreement in accordance with applicable law.
t. Integration/ merger clause	Section 19.15	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim the representations we made in this FDD. Any representations or promises outside the FDD and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation[1]	ARTICLE 17	All disputes must be resolved first by mediation and, if mediation is not successful, then by arbitration except claims involving: 1. The Intellectual Property; 2. Any lease or sublease of real property; 3. Your obligations upon termination or expiration of your Franchise Agreement; 4. Any transfers; 5. Matters involving claims of danger, health or safety; and 6. Requests for restraining orders, injunctions or similar procedures. You must waive your rights to a jury trial and claims for punitive damages.
v. Choice of forum[1]	Section 17.4	Subject to state law, any mediation or arbitration proceeding must be conducted where our principal office is located when demand for mediation or arbitration is filed. Any litigation to enforce the Franchise Agreement must be filed in the courts where our principal office is located when litigation is filed (currently Shelby County, Tennessee).
w. Choice of law[1]	Section 17.6	Except to the extent governed by the United States Trademark Act, the United States Copyright Act or the United States Arbitration Act, and subject to applicable state law, the Franchise Agreement is interpreted under Tennessee law.

[1] See Exhibits A and E to this Franchise Disclosure Document for certain state-specific requirements.

THE DEVELOPMENT RELATIONSHIP

This table lists certain important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this Franchise Disclosure Document.

Provision	Section in Development Agreement	Summary
a. Length of Development Rights term	Section 6.1	The initial term of the Development Agreement is 5 years beginning on the Agreement Date.
b. Renewal or extension of the term[1]	Section 6.2	You have the right to renew for an additional term of 5 years, if you meet the requirements for renewal.
c. Requirements for you to renew or extend	Sections 6.2 and 6.3	1. You must timely give us written notice of your intention to exercise the option. 2. You must not be in default of your Development Agreement or any other agreement with us. 3. You have, when you renew, sufficient financial and management resources in our discretion to continue development of additional Gus's Restaurants in the Development Area. 4. You must meet our qualification and training requirements. 5. You, within 30 days before the end of the Initial Term, sign a new Development Agreement with materially different terms and conditions than in your existing Development Agreement including a new Development Fee and new Development Schedule. 6. You must sign the Franchise Termination and Release Agreement, the form of which is included in Exhibit N. You will be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you[1]	Section 7.1	If you have substantially complied with the Development Agreement and we materially breach the Development Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or within a longer period, if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate the Development Agreement.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 7.2	We may only terminate your Development Agreement with cause.
g. "Cause" defined – curable defaults	Section 7.3	You have 30 days or any longer period as applicable law may require, after we deliver you a written notice of default to cure any default and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the

Provision	Section in Development Agreement	Summary
		right to terminate the Development Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under the Development Agreement.
h. "Cause" defined – non-curable defaults	Section 7.2	We may terminate the Development Agreement by giving you written notice of termination if we terminate any Franchise Agreement between the parties due to your default, after we have given you written notice of default if notice is required, and afforded you an opportunity to cure if you have a right to cure.
i. Your obligations on termination/nonrenewal	Section 7.4	Upon termination or expiration of the Development Agreement, all your Development Rights cease rights cease and you must comply with your post-termination and post-expiration obligations under the Franchise Agreements and those obligations that survive the termination or expiration of the Franchise Agreement including the obligations of indemnification, confidentiality and non-competition.
j. Assignment of contract by us	Section 5.1	We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under the Development Agreement to any person without your consent or approval.
k. "Transfer" by you defined	Section 5.2	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Development Agreement. A transfer of less than 50% of the equity interests in Business Entity that signed the Development Agreement and a transfer to any other original owners of the Development Agreement is not considered a transfer.
l. Our approval of transfer by you	Section 5.2	You must obtain our prior written approval of any transfers.
m. Conditions for our approval of transfer	Section 5.2	You may transfer the Development Agreement to a Business Entity owned by you but you continue to remain personally liable for all of your obligations under the Development Agreement. If you intend to transfer the Development Agreement as part of your sale of all of the assets comprising your Gus's Restaurants under construction or in operation, we will consent to the transfer provided you

Provision	Section in Development Agreement	Summary
		comply with your obligations under Subsection 10.2(b) of the Franchise Agreements.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term	Not Applicable	Not Applicable
r. Non-competition covenants after the agreement is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	Section 9.2	A party cannot amend, supplement or change the provisions of the Development Agreement except by an Amendment to Development Agreement signed by the parties. Only our President has the authority to sign an Amendment to Development Agreement on our behalf.
t. Integration/ merger clause	Section 9.11	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises outside of this FDD and the Development Agreement may not be enforceable. Nothing in the Development Agreement is intended to disclaim the representations we made in this FDD that we furnished to you.
u. Dispute resolution by arbitration or mediation[1]	Section 9.1	All disputes must be resolved first by mediation and, if mediation is not successful, then by arbitration except claims involving: 1. The Intellectual Property; 2. Any lease or sublease of real property; 3. Your obligations upon termination or expiration of your Franchise Agreement; 4. Any transfers; 5. Matters involving claims of danger, health or safety; and 6. Requests for restraining orders, injunctions or similar procedures. You must waive your rights to a jury trial and claims for punitive damages.
v. Choice of forum[1]	Section 9.1	Any mediation or arbitration proceeding must be

Provision	Section in Development Agreement	Summary
		conducted where our principal office is located when demand for mediation or arbitration is filed, Any litigation to enforce the Development Agreement must be filed in the courts where our principal office is located when litigation is filed (currently Shelby County, Tennessee).
w. Choice of law[1]	Section 9.1	Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), the United States Copyright Act (17 U.S.C. 101 et. seq.) or the United States Arbitration Act (9 U.S.C. Sections 1 et seq.), the Development Agreement is interpreted under the laws of Tennessee. This may be superseded by state law.

[1] See Exhibits A and E to this Franchise Disclosure Document for certain state-specific requirements.

ITEM 18 - PUBLIC FIGURES

We do not use any public figure to promote our Gus's Restaurants.

ITEM 19 – FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits us to provide information about the actual or potential financial performance of our Franchised Units and/or Company-Owned Units, if there is a reasonable basis for the information, and if the information is included in this Franchise Disclosure Document. We may give you financial performance information that differs from that included in this ITEM 19 only if: (1) we provide the actual records of an existing Unit that you are considering buying; or (2) we supplement the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about your future financial performance or the past financial performance of Company-Owned or Franchised Units. We also do not authorize our employees or representatives to make any such representations orally or in writing. If you are purchasing an existing Unit, however, we may provide you with the actual records of that Unit. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Wendy McCrory, President of Gus's Franchisor, LLC, at 5828 Shelby Oaks Drive, Memphis, Tennessee 38134 and (901) 567-5261, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 – UNITS AND FRANCHISEE INFORMATION

Table No. 1

Business Systemwide Unit Summary

For Years 2019 to 2021

Column 1 **Unit Type**	Column 2 **Year**	Column 3 **Units at the Start of the Year**	Column 4 **Units at the End of the Year**	Column 5 **Net Change**
Franchised	2019	23	26	+3
	2020	26	27	+1
	2021	27	32	+5
Company-Owned	2019	2	2	0
	2020	2	2	0
	2021	2	2	0
Total Units	**2019**	**25**	**28**	**+3**
	2020	**28**	**29**	**+1**
	2021	**29**	34	**+5**

Table No. 2

Transfers of Units from Franchisees to New Owners (other than Us)
For Years 2019 to 2021

Column 1 **State[1]**	Column 2 **Year**	Column 3 **Number of Transfers**
Mississippi	2019	1
	2020	0
	2021	0
Tennessee	2019	0
	2020	0
	2021	1
Total	**2019**	**1**
	2020	**0**
	2021	**1**

[1] No other states are involved

Table No. 3

Status of Franchised Units
For Years 2019 to 2021

Col. 1 State	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Termina tions	Col. 6 Non-Ren ewals	Col. 7 Re-acqui red by Us	Col. 8 Ceased Operatio ns-Other Reasons	Col. 9 Units at End of the Year
Alabama	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Arizona	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Arkansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2019	3	0	0	0	0	0	3
	2020	3	2	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Georgia	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
Illinois	2019	1	1	0	0	0	0	2
	2020	2	0	1	0	0	0	1
	2021	1	0	0	0	0	0	1
Kansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Kentucky	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Louisiana	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Maryland	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	1	0	0	0	0
Michigan	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Mississippi	2019	2	0	1	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Tennessee	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3

Col. 1 State	Col. 2 Year	Col. 3 Units at Start of Year	Col. 4 Units Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Re-acquired by Us	Col. 8 Ceased Operations-Other Reasons	Col. 9 Units at End of the Year
	2021	3	0	0	0	0	0	3
Texas	2019	3	0	0	0	0	0	3
	2020	3	1	0	0	0	0	4
	2021	4	1	0	0	0	0	5
Totals	2019	24	2	**1**	**0**	**0**	**0**	**25**
	2020	**25**	**3**	**1**	**0**	**0**	**0**	**27**
	2021	**27**	**5**	**1**	**0**	**0**	**0**	**31**

Table No. 4

Status of Company-Owned Units
For Years 2019 to 2021

Col. 1 **State**[1]	Col. 2 **Year**	Col. 3 **Units at Start of Year**	Col. 4 **Units Opened**	Col. 5 **Units Reacquired From Franchisee**	Col. 6 **Units Closed**	Col. 7 **Units Sold to Franchisee**	Col. 8 **Units at End of the Year**
Tennessee	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Totals	2019	**2**	**0**	**0**	**0**	**0**	**2**
	2020	**2**	**0**	**0**	**0**	**0**	**2**
	2021	**2**	**0**	**0**	**0**	**0**	**2**

[1] No other states are involved

Table No .5

Projected Openings as of December 31, 2021

Column 1 **State**[1]	Column 2 **Franchise Agreements Signed But Unit Not Open**	Column 3 **Projected New Franchised Units In the Next Fiscal Year**	Column 4 **Projected New Company Owned Units in the Next Fiscal Year**
Arizona	0	3	0
Kentucky	0	1	0
Louisiana	1	0	0
Tennessee	0	1	0
Texas	0	2	0
TOTALS	**1**	**7**	**0**

[1] No other states are involved.

List of Current Franchisees

Exhibit K contains the names, business addresses and telephone numbers of all 31 Gus's Restaurants under a Franchise Agreement with us that are operational.

List of Franchises Executed But Not Yet Operational

Exhibit K contains the names, business addresses and telephone numbers of the 1 Gus's Restaurants in the United States as of December 31, 2021 that are not yet operational but have signed a Franchise Agreement with us.

List of Former Franchisees

Exhibit K also contains the name, last known home address and home telephone number of the 0 Franchise Business that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document.

Your Contact Information

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

Confidentiality Agreements

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

Trademark-Specific Franchisee Organizations

The name, address, telephone number, e-mail address, and Web address (to the extent known) of each trademark-specific franchisee organization associated with the franchise system:

None

ITEM 21 - FINANCIAL STATEMENTS

Attached as Exhibit L is our:

1. Unaudited[1] balance sheet dated May 31, 2021 and our unaudited[1] income statement for the 3-month period ending May 31, 2021.

2. Audited balance sheet, income statement and statement of cash flows for the fiscal years ending December 31, 2021 and December 31, 2019.

[1] THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Our fiscal year ends December 31.

ITEM 22 - CONTRACTS

The following contracts, agreements and other relevant documents are attached as Exhibits to this Franchise Disclosure Document:

C	Franchise Agreement
D	Development Agreement
E	State Addenda to Agreements (if applicable)
G	Affiliated Seller Agreement
H	Guaranty of Developer's/Franchisee's Obligations
I	Agreement with Landlord
J	Telephone Number and Directory Advertising Assignment Agreement
M	Franchisee Closing Questionnaire

ITEM 23 - RECEIPTS

You will find copies of a detachable Receipt attached as Exhibit P at the very end of this Franchise Disclosure Document. It is not a binding contract. This merely verifies that you have received this Franchise Disclosure Document. Please complete and sign both copies. Keep a copy of your files and mail the other copy to us.

EXHIBIT A

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

The States of California, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington require that we amend the Franchise Disclosure Document and Franchise Agreement to conform to their state's franchise laws as part of the state's registration and approval of the franchise offering. We must do this before we offer or sell any franchises intended to be operated in those states or to residents of these states. If we have registered in any of these states, attached are the applicable Addendum to Franchise Disclosure Document in this Exhibit and Addendum to Franchise Agreement (in Exhibit E) that apply only to residents of that state and/or where the Franchise will be operated in that state.

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS INVOLVING THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT ("FDD").

2. The Franchise Closing Questionnaire attached as Exhibit M to this FDD should not be signed if you are a California resident or if the Restaurant is to be operated in California. If you do sign it, it cannot be used against you in any arbitration or court proceeding.

3. ITEM 3 is amended to add: Neither we, nor any person 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. § 78 *et seq.*, suspending or expelling these persons from membership in that association or exchange.

4. ITEM 6 and ITEM 10 are amended to add that the maximum interest rate in California is 10% annually.

5. ITEM 17: The following additional paragraphs are added:

(a) California Business and Professions Code §§ 20000 through 20043 provides you rights concerning termination, transfer or nonrenewal of a Franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law controls.

(b) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.)*

(c) 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.

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

(e) The Franchise Agreement requires binding arbitration. The arbitration will occur in Shelby County, Tennessee with the costs being born by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code § 20040.5, Code of Civil Procedure § 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

(g) You must sign a Franchise Termination and Release Agreement if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

6. Section 31125 of the California Corporations Code requires us to give you a Franchise Disclosure Document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise (California Corporation Code §§ 31000 through 31516).

7. Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act. (Business and Professions Code §§ 2000 through 20043).

8. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dbo.ca.gov.

9. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.**

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. ITEM 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language:

> Upon termination or refusal to renew the Gus's Restaurant, we will compensate you for the fair market value your inventory, supplies, equipment and furnishings purchased from us or a supplier we designated. We will not compensate you for your personalized materials that have no value to us. If we refuse to renew your Gus's Restaurant because we desire to convert your Gus's Restaurant to a Company-Owned Outlet, we, in addition to the remedies provided in this paragraph, will compensate you for the loss of goodwill. We may deduct from this compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment, and furnishings, and may offset from this compensation any moneys due us.

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.

2. Illinois law governs the Franchise Agreement.

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. ITEM 17(c)(7) is amended to add the following sentence:

   The general release required as a condition of renewal, sale and/or assignment/transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. ITEM 17(h) is amended to add the following sentence:

   The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

3. ITEM 17(m)(3) is amended to add the following sentence:

   The general release required as a condition of renewal, sale and/or assignment/transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. ITEM 17(u) is amended to add the following sentence:

   The Franchise Agreement and Area Development Agreement provide that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. ITEM 17(v) is amended to replace the existing Summary language with the following sentence:

   You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the Franchise.

NOTICE FOR PROSPECTIVE FRANCHISEES REQUIRED BY THE STATE OF MICHIGAN

Gus's Franchisor, LLC
5828 Shelby Oaks Drive
Memphis, Tennessee 38133
Telephone Number: (901) 758-2323

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents involving a Franchise

(a) A prohibition on your right to join an association of franchisees.

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

(c) A provision that permits us to terminate a Franchise before the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure any failure after being given written notice of that failure and a reasonable opportunity, which need not be more than 30 days, to cure the failure.

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Gus's Restaurant are not subject to compensation. This subsection applies only if:

(i) the term of the Franchise is less than 5 years; and

(ii) you are prohibited by the Franchise Agreement 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 after the end of the franchise or you do not receive at least 6 months' advance written notice of our intent not to renew the Franchise.

(e) A provision that permits us to refuse to renew your 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 arbitration or litigation be conducted outside this state. This will not preclude you from entering into an agreement when the dispute arises, to conduct arbitration at a location outside this state.

(g) A provision that permits us to refuse to permit a transfer of ownership of your Franchise, except for good cause. This subsection does not prevent us from exercising a right of first refusal to purchase your franchise. Good cause includes:

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is our competitor.

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

(iv) Your failure or the proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing when the transfer is proposed.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subsection does not prohibit a provision that grants to us a right of first refusal to purchase the assets of your Franchise on the same terms as a bona fide third party willing and able to purchase those assets. This subsection does not prohibit a provision that grants us the right to acquire the assets of your Franchise for the market or appraised value of the assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subsection (c).

(i) A provision that permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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.

Any questions regarding the notice should be directed to Consumer Protection Division, Antitrust and Franchise Unit, Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913 (517) 373-7117.

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. ITEM 13 is amended by the addition of the following language to the original language:

Trademark Indemnification

The Minnesota Department of Commerce requires that we indemnify you against liability to third parties from claims by third parties that your use of our trademark infringes trademark rights of the third party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the Franchise, and you must provide notice to us of any claim within 10 days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. ITEMS 17(c) and (g) are amended by addition of the following language:

Termination and Non-Renewal; Transfer

With respect to franchises governed by Minnesota Law, we will comply with Minnesota Statutes, Section 80C.14, Subsections 3,4 and 5, which require (except in certain specified cases) that you be given 90 days' written notice of termination (with 60 days to cure) and 180 days' written notice of non-renewal of this Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.

3. ITEMS 17(c) and (m) are amended by addition of the following language:

General Release

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

4. ITEM 17(u) is amended by addition of the following language:

Limitation of Actions

No action may be commenced under Minnesota Statutes, Section 80C.17, Subd. 5 more than 3 years after the cause of action accrues.

5. ITEMS 17(v), (w) are amended by the addition of the following language:

Governing Law, Jurisdiction and Venue, and Choice of Forum

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or this Agreement or any other agreement between the parties can abrogate or reduce any of your rights as provided in Minnesota Statutes, chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

<u>NEW YORK ADDENDUM TO OFFERING PROSPECTUS</u>

1. All references made herein to a Franchise Disclosure Document (FDD) shall be amended refer to an Offering Prospectus.

2.The following information is added to the cover page of the Franchise Disclosure Document:

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.

3. ITEM 3 is amended to add the following paragraph:

Neither the Franchisor, its Predecessor, a person identified in ITEM 2, nor an Affiliate offering Franchises under the Franchisor's principal trademark:

A. 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. 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.

C. 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.

4. ITEM 8, **<u>Revisions to Manuals</u>** is amended to add the following sentence:

However, no changes to the Manuals will be made that would impose an unreasonable economic burden on you or unreasonably increase your obligations.

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 ":

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. 6. The following language replaces the "Summary" section of ITEM 17(d), titled "**Termination by franchisee**":

You may terminate the Franchise Agreement on any ground available by law.

7. ITEM 17(j) is amended to add the following sentence:

No assignment will be made except to an assignee that, in our good faith judgment is able to assume our obligation under the Franchise Agreement.

8. ITEM 17(m)(3) is amended to add the following:

; provided, however that all rights enjoyed by you and any causes of action from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under it will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.

9. ITEM 17(u) is amended to add the following paragraph:

Your agreement to our right to obtain injunctive and other relief for your breach of covenants not to compete and non-disclosure covenants contemplates only our right to obtain injunctive and other relief, only after the proper proofs are made and the appropriate judicial or arbitrative authority grants the relief. Nothing in these provisions constitute a waiver by you of your right to defend any action.

10. ITEM 17(v) is amended to add the following paragraph:

The choice of forum will not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

NEW YORK MATERIAL FACT STATEMENT

WE REPRESENT THAT THIS OFFERING PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. ITEM 17(c) is amended to delete the requirement that you must sign and deliver to us a general release in our favor as part of the renewal of the franchise.

2. ITEM 17(m) is amended to delete the requirement that you must sign and deliver to us a general release in our favor as part of the transfer of the franchise.

3. ITEM 17(o) is amended to add the following paragraph:

   If the parties cannot agree on fair market value within a reasonable time, an independent appraiser will be selected by both parties. If the parties are unable to select an appraiser together, then one will be chosen by us, one by you and the two appraisers will select a third.

4. ITEMS 17(q) and (r) are amended to state that: "Covenants not to complete as mentioned in these ITEMS are generally considered unenforceable in the State of North Dakota.

5. ITEM 17(u) is amended is provide that the site of mediation, arbitration or litigation be agreeable to all parties and may not be remote from the franchisee's place of business. The franchisee does not have to consent to a waiver of jury trial. a waiver of exemplary and punitive damages. This provision will not apply to any claims brought under the under the North Dakota Franchise Investment Law. The waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law..

6. ITEM 17(v) is amended to state that any litigation or arbitration proceeding begun for the purpose of enforcing the Franchise Agreement will be filed in the courts and arbitration board located in the State of North Dakota.

7. ITEM 17(w) is amended to change the governing law from Tennessee to North Dakota.

RHODE ISLAND ADDENDUM FRANCHISE DISCLOSURE DOCUMENT

1. ITEM 17(v) is amended to add the following sentence:

   § 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 as to a claim otherwise enforceable under this Act.

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Gus's Franchisor, LLC for use in the Commonwealth of Virginia is amended as follows:

1. ITEM 17(h) is amended to read as follows:

   Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for us to cancel a Franchise without reasonable cause. If any ground for default or termination stated in the Franchise agreement, Development Agreement or Area Representative Agreement does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. ITEM 17(x) is amended to read as follows:

   Virginia law applies.

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

STATE OF WASHINGTON FRANCHISEE'S TERMINATION AND RENEWAL RIGHTS
RCW 19.100.180(2) (g), (i) and (j)

GENERAL RELEASE

Any provisions regarding your signing a general release of any claims against us does not apply to a release of any claims arising under the Washington Franchise Investment Protection Act except when signed as part of a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act including the right to a jury trial may not be enforceable.

RENEWAL

We will not refuse to renew a Franchise without fairly compensating you for the fair market value of your inventory, supplies, equipment, and furnishings purchased from us and goodwill when the franchise expires, exclusive of personalized materials which have no value to us, and inventory, supplies, equipment and furnishing not reasonably required in the conduct of the Gus's Restaurant. However, compensation will not be made to you for goodwill if: (a) you have been given 1 year's written notice of nonrenewal; and (b) we have agreed in writing not to enforce any covenant which restrains you from competing with us. We may offset against amounts we owe you, any amounts you owe us.

TERMINATION

We will not terminate a Franchise before the expiration of its term except for good cause. Good cause includes your failure to comply with lawful material provisions of the Franchise Agreement or other agreement between you and us and to cure the default after being given written notice and a reasonable opportunity, which need be at least 30 days in which to cure the default, or if the default cannot reasonably be cured in 30 days, your failure to initiate within 30 days substantial and continuing action to cure the default. After 3 willful and material breaches of the same provision of the Franchise Agreement occurring within a 12-month period, for which you have been given written notice and an opportunity to cure, you may terminate the Franchise Agreement upon any later willful and material breach of the same provision within the 12-month period without providing you written notice or opportunity to cure. We may terminate a Franchise without giving you prior written notice or opportunity to cure a default if you:

I. are adjudicated a bankrupt or insolvent;

II. make an assignment for the benefit of creditors or similar disposition of the assets of the Gus's Restaurant;

III. voluntarily abandon the Gus's Restaurant; or

IV. are convicted of or plead guilty or no contest to a charge of violating any law involving the Gus's Restaurant.

Upon termination for good cause, we will purchase from you at a fair market value your inventory and supplies, exclusive of:

I. personalized materials that have no value to us;

II. inventory and supplies not reasonably required in the conduct of the Gus's Restaurant; and

III. if you retain control of the Premises of the Gus's Restaurant, any inventory and supplies not purchased from us or on our express requirement.

We may offset against any amount we owe you, any amounts you owe us.

EXHIBIT B

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF
CALIFORNIA	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 (866) 275-2677	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104
HAWAII	Business Regulation Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities 335 Merchant Street Room 203 Honolulu, HI 96813
ILLINOIS	Illinois Attorney General 500 S. Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Indiana Secretary of State Securities Division Room E-11 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 Saint Paul Place Baltimore, MD 21202-2020
MICHIGAN	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 6th Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau 6546 Mercantile Way P.O. Box 30222 Lansing, MI 48910
MINNESOTA	Securities Unit Minnesota Department of Commerce 85 7th Place East Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	The Commissioner of Commerce of Minnesota Department of Commerce 85 7th Place East Suite 500 St. Paul, MN 55101-2198

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF
NEW YORK	New York State Office of the Attorney General 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8211	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol 5th Floor, Department 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Bismarck, ND 58505-0510
OREGON	Department of Consumer and Business Services Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	Department of Consumer and Business Services Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
RHODE ISLAND	Chief Securities Examiner Division of Securities John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407 (401) 462-9500	Director of Rhode Island Department of Business Regulation John O. Pastore Building 69-1 1511 Pontiac Avenue Cranston, RI 02920-4407
SOUTH DAKOTA	Franchise Administrator Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4013	Director of South Dakota Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street 1st Floor Richmond, VA 23219
WASHINGTON	Administrator Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98504 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road. SW Tumwater, WA 98501

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF
WISCONSIN	Franchise Administrator Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 (608) 266-8559	Commissioner of Securities of Wisconsin 101 East Wilson Street Madison, WI 53702
ALL OTHER STATES	Not Applicable	Joel B. Sklar General Counsel Gus's Franchisor, LLC c/o Evans/Petree PC 1715 Aaron Brenner Drive Suite 800 Memphis, TN 38120

EXHIBIT C

FRANCHISE AGREEMENT

GUS'S FRANCHISE AGREEMENT

BETWEEN

GUS'S FRANCHISOR, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

AND

_________________LLC,
A ___________________ LIMITED LIABILITY COMPANY

DATED: __________________, 202

APPROVED LOCATION: ____

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GUS'S FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is dated as of ________________, 2022, by and between Gus's Franchisor, LLC, a Delaware limited liability company (the "Franchisor"), and _________________LLC, a _____________ limited liability company (the "Franchisee").

We have written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that this Agreement covers before you sign it. In this Agreement, we refer to Gus's Franchisor, LLC, the Franchisor, as "we," "us" or "our." We refer to the Franchisee as "you" or "your." If you are a Business Entity, we refer to its owners as the "Franchise Owners." We define all capitalized terms, not elsewhere defined or identified herein, in ARTICLE 18.

BACKGROUND

A. Our affiliate, Gus's IP, LLC, a Delaware limited liability company ("Gus's IP"), has rights to a unique business system for a casual restaurant doing business under the trademarks Gus's World Famous Fried Chicken™, U.S. Serial No. 85748544 and Gus's World Famous Fried Chicken (and design), U.S. Serial No. 85748542 (the "Gus's Restaurant" or the "Franchised Business") that features fried chicken, beverages, and unique food service and other products prepared according to specified recipes and procedures, some of which include proprietary spices, batter, sauces and mixes and services using certain standards and specifications; sources of supply; uniform standards; procedures for the management of the Gus's Restaurant and customer service; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the Gus's Restaurant; an Operations and Policies Manual; and bookkeeping and accounting methods and procedures; all of which we may change, improve and further develop (collectively, the "Business System").

B. We have signed a license agreement with Gus's IP that grants us the right to sublicense the use of the Intellectual Property to our Gus's Franchisees as part of our sale of Gus's Franchises that own and operate Gus's Restaurants. You understand that Gus's IP does not have any liability to you for our performance under the terms of this Agreement.

C. You recognize the benefits of owning and operating a Gus's Restaurant and desire to enter into this Agreement.

D. You have had a full and adequate opportunity to seek independent legal counsel in order to be thoroughly advised of the terms and conditions of this Agreement and have had sufficient time and opportunity to evaluate and investigate the business concept and the procedures and financial requirements associated with the business as well as the competitive market in which it operates.

E. We have reviewed your application and have decided to award a Gus's Franchise to you evidenced by this Agreement.

NOW, THEREFORE, for and in consideration of the covenants and agreements set forth in this Agreement, the parties mutually understand, agree and covenant as follows:

TERMS

ARTICLE 1 - APPOINTMENT

SECTION 1.1 GRANT OF FRANCHISE

We grant to you, subject to the terms of this Agreement, the right and you undertake the obligation, to operate a Gus's Restaurant under the Intellectual Property and in accordance and compliance with the Business System only at the location described in Section 1.2.

SECTION 1.2 LOCATION OF YOUR GUS'S RESTAURANT

(a) **Existing Premises**. You agree that you will operate your Gus's Restaurant only at ____ (the "Premises"), if the Premises exist at the time you sign this Agreement.

(b) **Premises to be Determined**. If the Premises do not exist at the time the parties sign this Agreement, the Premises will be at an approved location you select that we approve when the parties sign the Approved Location Addendum attached as Exhibit D to the FDD.

(c) **Other Activities**. You may engage in take-out from your Premises. You may also engage in catering and delivery services and activities within the Limited Protected Territory. You cannot engage in catering and delivery services and activities outside the Limited Protected Territory, unless we authorize you in writing, as further provided in Subsection 4.13(e). You must provide any catering and delivery services in accordance with the terms of the Operations and Policies Manual and this Agreement. We retain the right to revise and/or make exceptions to these policies as they apply to you and other Franchisees.

(d) **Advertising Restrictions**. You will not advertise, market or otherwise solicit business outside your DMA by a toll-free number, catalog, direct mail, Internet, website or other advertising, marketing or solicitation method without our prior written consent.

SECTION 1.3 LIMITED PROTECTED TERRITORY

We grant you a Limited Protected Territory comprised of a circular area of 5-miles around the Premises. While this Agreement remains in effect during the Initial Term, we agree not to open a Company-Owned Unit within your Limited Protected Territory or franchise another Gus's Franchised Unit having premises located within your Limited Protected Territory. We, our Affiliates and our other Franchisees will not engage in catering and delivery services, and other activities in the Limited Protected Territory; however, we expressly reserve the rights stated in Section 5.7 that are superior to your rights.

SECTION 1.4 RELOCATION OF YOUR GUS'S RESTAURANT

(a) **Loss of Lease**. If you lease the Premises and the lease expires or terminates (provided termination is not due to your default) before the expiration of this Agreement, we permit you 60 days in which to locate and secure new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the limited protected territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Gus's Restaurant is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising expenditures, if any exists, but we may require that you engage in another Grand Opening Advertising Program, if any exists. You have 150 days from the date you sign a new lease in which to open and begin full operation of the Gus's Restaurant in compliance with this Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

(b) **Casualty**. If the Premises are substantially destroyed by fire or other casualty and the lease for the Premises is terminated by either you or landlord as a result of such casualty, we permit you 60 days following the date on which the lease is terminated to locate and lease new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Gus's Restaurant is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising contributions, if any exist, but you may have to engage in another Grand Opening Advertising Program, if any exists. You have 150 days from the date you sign the new lease in which to open and begin full operation of the Gus's Restaurant in compliance with this Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part. In the event the Premises are substantially destroyed by fire or other casualty, but the lease for the Premises is not terminated as a result of such casualty, you have 180 days from the date of the casualty to re-open the Premises for the full operation of a Gus's Restaurant in compliance with this Agreement, unless we otherwise agree in writing to extend the time.

(c) **Condemnation**. You will give us notice of any proposed taking of the Premises by eminent domain, as soon as possible. We permit you 60 days from the date you have to vacate the Premises in which to locate and lease new Premises within your Limited Protected Territory. The relocated Premises must not infringe upon the Limited Protected Territory of a Company-Owned Unit or another Franchised Unit then operating or under development. We must approve the new location in writing in accordance with Section 2.1. During the period when your Gus's Restaurant is not in operation due to the relocation of the Premises, you are not required to spend the minimum Local Advertising contributions, if any exist but you have to engage in another Grand Opening Advertising Program, if any exists. You have 150 days from the date you sign the new lease in which to open and begin full operation of the Gus's Restaurant in compliance with this Agreement, unless we otherwise agree in writing to extend the time. Your failure to secure a new location and begin operation within the specified times is an Event of Default on your part.

(d) **Forced Relocation by Landlord**. If you lease the Business Premises and the landlord requires you to relocate to another space within the mall or center, we permit you relocate in accordance with the terms of your lease.

(e) **Relocation Fee**. If you must relocate your Gus's Restaurant, you will reimburse us for our costs incurred in assisting you with the relocation.

ARTICLE 2 - OUR DUTIES

We will provide you with the following initial and ongoing assistance and services, as long as you are not in default under this Agreement:

SECTION 2.1 SITE SELECTION ASSISTANCE

We must give you written approval of the proposed site for the Premises for your Gus's Restaurant before you sign a lease or begin any construction. Within 90 days after signing this Agreement, you must find a site that we approve. We may require you to send to us all material information regarding the proposed site including: pictures of the site; population demographics within a 20-mile radius of the site; information regarding traffic counts and patterns; parking spaces; visibility from the roadways; the predominant character of the neighborhood; competitive businesses within the area; the nature of other businesses in proximity to the site; and the size, appearance and other physical characteristics of the site. We will accept or reject the proposed site in accordance with our then current site selection criteria. The location of a Gus's Restaurant is an important and integral part of our brand image. Accordingly, our decision to accept or reject a proposed site rests in our sole discretion and business judgment. Our acceptance of a proposed location must take place in writing to be effective. You agree that once we reject a proposed site, you will not proceed further with developing any rejected site, but will seek to locate an acceptable site. The acquisition by you, in any manner, of any proposed site prior to acceptance by the us will take place at your sole risk and responsibility and will not obligate us in any way to accept the site. We will review site approval submissions on a first-in basis but within 30 days of your submission. If we do not approve the site, you have 30 days in which to submit a new site for our written approval. If you fail to do so in a timely manner, we have the right to terminate this Agreement and retain an appropriate portion of the Initial Franchise Fee to cover our costs and expenses we have incurred for the assistance we have provided to you under this Agreement. **WE DO NOT REPRESENT THAT WE HAVE ANY SPECIAL EXPERTISE IN SELECTING SITES FOR THE OPERATION OF A GUS'S RESTAURANT. OUR APPROVAL OF A SITE IS NOT A REPRESENTATION OR WARRANTY THAT THE GUS'S RESTAURANT WILL BE PROFITABLE OR THAT YOUR SALES WILL ATTAIN ANY PREDETERMINED LEVELS. OUR APPROVAL IS ONLY OUR INDICATION THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA FOR IDENTIFYING SITES.**

SECTION 2.2 LEASE ASSISTANCE

If you intend to lease your Premises from a third party, the lease must provide that the effectiveness of the lease is conditioned upon your obtaining our written approval. Our approval will be given when the property owner, you and we sign our form of Agreement with Landlord attached as Exhibit I to the Franchise Disclosure Document. We recommend you submit the Agreement with Landlord to the landlord at the beginning of your lease review and negotiation, although the terms of the Agreement with Landlord may not be negotiated without our prior approval. If the landlord requires us to negotiate the Agreement with Landlord, we reserve the right to request that you reimburse us for our actual costs associated with the negotiation including our attorneys' fees. You must sign a lease for the approved location within 150 days after the Agreement Date. You must e-mail us a PDF copy of the signed lease and the Agreement with Landlord within 5 days of the execution of the lease. **WE DO NOT REPRESENT THAT WE HAVE ANY SPECIAL EXPERTISE IN NEGOTIATING LEASES. YOU AGREE THAT OUR APPROVAL OR DISAPPROVAL OF A PROPOSED LEASE DOES NOT IMPOSE ANY LIABILITY ON US.**

SECTION 2.3 PLANS AND SPECIFICATIONS

Upon request, we will loan to you a sample set of certain specifications (which may include sample restaurant layouts and floor plans) for construction of the Premises concerning the design, décor, interior layout, fixtures, furnishings, equipment, signs and furnishings (collectively, the "Design Specifications"). The Design Specifications may vary in their design and decor by region of the country, at our sole discretion. On or before the Opening Date, you must return these plans and specifications to us.

SECTION 2.4 BUSINESS PLANNING ASSISTANCE

You agree that we will only review and comment on any business plan and/or pro forma financial projections you prepare after you sign this Agreement because we make no financial performance representations to you to induce you to purchase this Franchise.

SECTION 2.5 ACCOUNTING, COST CONTROL, PORTION CONTROL AND INVENTORY CONTROL SYSTEMS

We will provide to you standardized accounting, cost control, portion control and inventory control systems.

SECTION 2.6 LISTS, FORMS AND SCHEDULES

We will loan to you either in hard copy form or as electronic files, the following for use in the operation of the Gus's Restaurant:

(a) **List of Items.** A list of equipment, fixtures, furnishings, supplies, materials, inventory and other items necessary to open and operate your Gus's Restaurant ("Approved Supplies") and a list of Approved Suppliers;

(b) **Specifications**. Specifications for business cards, stationary, reporting documents, and other business forms and materials we deem necessary for the operation of the Gus's Restaurant that you purchase from Approved Suppliers;

(c) **Reporting**. Requirements regarding your establishment of daily, weekly and monthly reporting systems; bookkeeping procedures; and accounting procedures, which you must adopt and implement at the Gus's Restaurant.

These forms and schedules are contained in the Operation and Policies Manual. **WE DO NOT WARRANT THE COMPLETENESS, LEGALITY OR ENFORCEABILITY OF ANY AGREEMENTS OR FORMS WE PROVIDE TO YOU. YOU MUST RETAIN YOUR OWN LEGAL COUNSEL TO REVIEW AND REVISE THESE AGREEMENTS AND DOCUMENTS SO THEY COMPLY WITH ALL APPLICABLE FEDERAL AND STATE LAWS.**

SECTION 2.7 EMPLOYEE INFORMATION AND ASSISTANCE

We reserve the right to provide to you employee hiring information including pay scale guidelines and a standardized interviewing/selection system, which is described in the Operation and Policies Manual. No employee of yours is an employee of ours for any purpose whatsoever. You are solely responsible for the hiring, disciplining, supervising, promoting and firing of your employees and the establishment of their compensation as provided in Section 4.4. We do not obtain or retain your employees' employment records.

SECTION 2.8 INITIAL TRAINING

(a) **Initial Training**. We will provide up to 10 days of Initial Training for up to 8 Trainees at our Company-Owned Unit in Memphis, Tennessee. If you or a Designated Representative will not be managing the day-to-day operations of your Gus's Restaurant, you must designate another person as your General Manager who will manage the day-to-day activities of your Gus's Restaurant as a Trainee. We must approve all Trainees. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations and Policies Manual) as a condition of our approval. You or a Designated Representative, your General Manager and 2 assistant managers must be the Trainees. All Trainees must attend and successfully complete our Initial Training to our satisfaction. The Initial Training program includes instruction regarding restaurant development, food preparation, product purchasing and sources of supply, as well as instruction in marketing, promotion and advertising, merchandising techniques, sales techniques, customer service techniques and procedures for services. Training programs may differ in content and length for you and a Designated Representative, your General Manager and your other employees depending upon their previous experiences and their responsibilities at your Gus's Restaurant. Initial Training is included in the Initial Franchise Fee. You are responsible for all expenses of the Trainees in attending Initial Training including all payroll, travel, lodging and meal expenses. If you elect to have more than 8 Trainees attend Initial Training, we will try to accommodate you, however, we reserve the right to charge you a training fee for each additional person (currently $500 per day) and you will pay all their expenses including travel, lodging and meal expenses.

(b) **Failure to Complete Initial Training**. If you, your Designated Representative or your General Manager fails to satisfactorily complete Initial Training, as we reasonably determine, we may: (i) at your expense and direction, retrain you, a Designated Representative and/or your General Manager or train another Trainee; or (ii) elect to terminate this Agreement. If we elect to terminate this Agreement, we will retain an appropriate portion of the Initial Franchise Fee to cover our costs and expenses we have incurred for the assistance we have provided to you under this Agreement and for our lost opportunities. You will also sign and deliver to us the General Release in the form included as Exhibit N to the FDD.

SECTION 2.9 LOAN OF THE OPERATIONS AND POLICIES MANUAL

We will loan to you one registered copy of the Operations and Policies Manual and any supplemental manuals. Our practice is to deliver the Operations and Policies Manual to you during Initial Training but only after you have signed and returned to us all applicable exhibits to our FDD, including the Franchise Agreement and have paid all associated fees and amounts due.

SECTION 2.10 PRE-OPENING INSPECTION

We will provide periodic on-site assistance and inspection of the installation of the furniture, fixtures and/or equipment and will generally inspect the Premises. We will provide you with advice, as we deem appropriate, to ensure that you conform to applicable standards before the Opening Date.

SECTION 2.11 PRE-OPENING ON-SITE TRAINING

We will make available to you pre-opening, on-site training of up to 30 days, in most instances conducted at your Gus's Restaurant shortly before the Opening Date and during the first days of operation, as we deem appropriate. The on-site training program will cover material aspects of the operation of the Gus's Restaurant including financial control, marketing techniques, maintenance of quality standards, employee hiring, training and customer service, inventory control, operations, purchasing and sales.

SECTION 2.12 GRAND OPENING ASSISTANCE

In addition to the on-site training that we provide at the time you open for business, we will also provide you advice and guidance with regard to staffing, decoration, and the operation of your Gus's Restaurant during the grand opening period.

SECTION 2.13 CONTINUED ASSISTANCE AND SUPPORT

Upon the opening of your Gus's Restaurant, we will or may provide to you the following:

(a) **Field Visits**. We will assist you in the development and operation of your Gus's Restaurant and such assistance may include periodic visits by one of our field representatives.

(b) **Assistance by Telephone or E-Mail**. We will provide you with informational assistance by telephone and e-mail including consultation on matters involving operations, promotion and business methods.

(c) **Centralized Telephone Number**. We will staff telephone operators during normal business hours to respond to inquiries about the Business System's services. We will route back to you any person calling within the area/zip codes assigned to you as part of your Limited Protected Territory.

(d) **Website**. We have created a website (www.GusFriedChicken.com) for use by us and our Franchisees in accordance with Section 7.4. We will list your Gus's Restaurant on the central webpage. We also provide you access to our "Back Office" web system to assist you with the operation of the Gus's Restaurant.

(e) **Advertising Materials and Campaigns**. Although we have no present intent to create an Advertising Fund, if we create and implement the Advertising Fund, we will generally promote the Gus's Restaurants through advertising and public relations campaigns and also make available to you various advertising, marketing, and promotional materials for use in your DMA using the Advertising Contributions to the Advertising Fund. If an Advertising Fund is created, your participation in the Advertising Fund will be mandatory.

(f) **Local Advertising**. We will provide you advice on Local Advertising and Traditional Local Advertising that you conduct in your DMA.

(g) **Promotional Methods and Materials**. We will provide you with promotional methods and materials that we develop.

(h) **Radio and Television Commercials**. Although we do not require you to advertise on radio or television, we reserve the right to require you to reasonably advertise on radio or television. To the extent that we require you to do so, we will provide a preapproved radio script and camera-ready television commercials (not including airtime) for your use in your DMA. You may share costs of television and radio promotions with other Franchisees within your television or radio market.

(i) **Periodic Assistance**. We may provide advisory assistance to you in the operation and promotion of the Gus's Restaurant, as we deem advisable, at no additional cost, except as specifically set forth in this Agreement. Advisory assistance may include additional training and assistance, communication of new developments, improvements in equipment and supplies, and new techniques in advertising, service and management relevant to the operation of the Gus's Restaurant.

(j) **Ongoing Training**. We may require you, the Designated Representative, the General Manager, the assistant managers and other key employees of the Gus's Restaurant to attend, at your expense, ongoing training at our training facility, or at the Gus's Restaurant or another location we designate. In addition, we may develop and require you to purchase an in-restaurant training program. You are solely responsible for all expenses associated with these programs including the then-prevailing standard training fee we charge for these programs (currently $750 per day) and all travel, meals and lodging costs of your attendees. These training fees will not exceed $5,000 within any given 12-month period.

(k) **New Employee/Agent Training**. If you do not have at least 2 employees that have attended the Initial Training or a subsequent and equivalent training program conducted by us, new employees must be either trained at our Company-Owned Unit in Memphis, Tennessee or onsite in the Gus's Restaurant. As provided above, we must approve all Trainees. Each Trainee must sign our form of Confidentiality and Non-Competition Agreement (the form of which is included in the Operations and Policies Manual) as a condition of our approval. All Trainees must attend and successfully complete our New Employee Training to our satisfaction. The New Employee Training program includes restaurant development, food preparation, product purchasing and sources of supply, instruction in marketing, promotion and advertising, merchandising techniques, sales techniques, customer service techniques and procedures for services; however, the Training programs may differ in content and length for your employees depending upon their previous experiences and their responsibilities at your Gus's Restaurant. Training at our Company-Owned Unit in Memphis, Tennessee currently costs $100 per day, plus as all travel, meals and lodging costs of your attendees and onsite Training in your Gus's Restaurant currently costs $500 per day, plus all reasonable travel, meals and lodging costs of our representative or trainer. If you elect to have more than 8 Trainees attend the New Employee Training, we will try and accommodate you, however, we reserve the right to charge you a training fee for each additional person (currently $500 per day) in addition to all reasonable expenses associated therewith.

(l) **Special Assistance**. At your request and based on the availability of our staff, we will provide onsite non-routine guidance and assistance to address your unusual or unique operating problems at a cost to you of our reasonable per diem fees (currently $500 per day) and our out-of-pocket expenses.

(m) **Research and Development**. We will continue to research and develop new Menu Items and services, introductions and techniques, as we deem appropriate in our sole discretion. We may conduct market research and testing to determine consumer trends and the salability of new Menu Items and services. You acknowledge that we may choose to offer certain products or services that are not a normal part of the Business System to Franchisees for test marketing or other purposes. You agree that we may not make these products or services available to you. If we choose you, and if you agree, you will participate in our market research programs, and in test marketing new products and services in the Gus's Restaurant. If you participate in any test marketing, you agree to purchase a reasonable quantity of the products or services tested and to effectively promote and make a good faith effort to sell them. You will provide us with timely reports and other relevant information regarding that market research.

SECTION 2.14 SUBLICENSE OF INTELLECTUAL PROPERTY

Subject to this Agreement, we sublicense to you the right to use the Intellectual Property, including the 2 Gus's World Famous Fried Chicken trademarks referenced in the recitals above; provided that your right to use the Gus's World Famous Fried Chicken trademarks is subject to their availability in your geographic area, which availability will be determined by the Trademark Trial and Appeal Board in connection with our concurrent use proceeding against the registrant of Gus's, U.S. Registration No. 3871860, U.S. Trademark Trial and Appeal Board Proceeding No. 94002591. If that use of the referenced trademarks is not available in your geographic area you are licensed the right to use an alternate trademark determined by us.

SECTION 2.15 LICENSE OF THE GUS'S SOFTWARE

We currently do not have proprietary software that we require you to license from us; however, we reserve such right to do so in the future and charge you a reasonable license fee.

SECTION 2.16 OUR TEMPORARY OPERATION OF YOUR GUS'S RESTAURANT

Upon the happening of any of the events described below, yet subject to the force majeure provisions of Section 19.12, we have the right (but not the obligation) to enter your Premises and to operate and manage your Gus's Restaurant for up to 12 months for your (or your estate's) account until this Agreement is terminated, the assets comprising your Gus's Restaurant are transferred to a party in accordance with Section 10.2, we purchase the assets comprising your Gus's Restaurant, or until you resume control over your Gus's Restaurant and you operate the Gus's Restaurant in accordance with this Agreement.

(a) **Unauthorized Closure**. If you fail to keep your Gus's Restaurant open for business each Business Day.

(b) **Cessation of Business.** If you fail to operate your Gus's Restaurant for more than 5 consecutive Business Days or abandon the Premises without our prior written approval.

(c) **Death or Incapacity** If you or the Franchise Owner dies or becomes permanently incapacitated, and the assets comprising the Gus's Restaurant or the ownership interests in the Franchisee, if a Business Entity, are not assigned promptly under Section 10.4.

(d) **Material Breach.** If you materially breach any of our standards and specifications for the operation of your Gus's Restaurant after we have given any required written notice and any applicable cure period has expired.

(e) **Our Purchase of Assets.** If we elect to terminate this Agreement and we elect to purchase the assets comprising the Gus's Restaurant as provided in Section 12.4.

If we elect to operate your Gus's Restaurant, we will account to you or your estate for all net income from the operation less our reasonable expenses incurred and a management fee of $500 per day for our management of your Gus's Restaurant. Our operation and management will not continue for more than 30 days, but will be renewable as necessary for up to 1 year. We will periodically discuss the status with you or the representatives of your estate.

SECTION 2.17 DUTIES SOLELY TO YOU

All of our obligations under this Agreement are owed only to you. No other party is entitled to rely on, enforce, or obtain relief for breach of the obligations directly or by subrogation.

SECTION 2.18 OUR REASONABLE BUSINESS JUDGMENT

Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. Our decisions or actions are deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the Business System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the Business System include, but are not limited to, enhancing the value of the Trademarks, enhancing our brand image, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the Business System.

ARTICLE 3 - FEES AND PAYMENTS

SECTION 3.1 TYPES OF FEES

In consideration of our signing this Agreement, you must pay to us the following fees all payable in United States currency at our principal office:

(a) **Initial Franchise Fee**. You must pay to us an Initial Franchise Fee of $55,000 payable at the same time you sign this Agreement. We fully earn the Initial Franchise Fee upon receipt. Except as otherwise provided in this Agreement, the Initial Franchise Fee is non-refundable upon signing this Agreement.

(b) **Royalty Fee**. You will pay a continuing monthly non-refundable royalty fee equal to 5.5% of monthly Gross Revenues ("Royalty Fee").

(c) **Advertising Contributions to Advertising Fund.** We have no present intent to establish an Advertising Fund; however, we reserve the right to do so. I f an Advertising Fund is created, your participation in the Advertising Fund will be mandatory. If we implement the Advertising Fund, we will give you 30 days' written notice after which notice you must begin to pay to us continuing monthly Advertising Contributions to the Advertising Fund in an amount equal to 1.5% of monthly Gross Revenues. We have the sole right to enforce your obligations and the obligations of all other Franchisees that make Advertising Contributions. Neither you, nor any other Franchisee obligated to make Advertising Contributions, is a third-party beneficiary of the funds nor has any right to enforce any obligation to contribute the funds.

(d) **E-Mail/Home Page Fee**. We provide you with a Franchise e-mail account and a custom home page on our Website. We will charge an annual fee contained in the Operations and Policies Manual or otherwise provided in writing (currently $300 per year), which we may increase from time to time, provided such fee will not increase by more than 10% in any calendar year.

(e) **Transfer Fee**. If we permit you to transfer this Agreement pursuant to Section 10.2, you will pay us a Transfer Fee of $12,500. You must submit to us a $5,000 deposit at the time you submit an application for consent to transfer. We have the right to increase the deposit above $5,000 and up to $12,500, if we believe our costs and expenses will exceed $5,000. We will refund the $5,000 (or any increased deposit amount) less our costs and expenses (including our time) if the transfer is not completed. If the transfer proceeds, the $7,500 balance (or any adjusted balance amount) on the transfer fee is due to us before the closing of the transfer and the entire $12,500 transfer fee becomes nonrefundable at that time. If the transfer is part of a simultaneous, multiple restaurant transfer, the transfer fee will be $12,500 for the first Gus's Restaurant plus $2,500 each for the 2nd through 10th Gus's Restaurant, with no additional transfer fee beyond the 10th Gus's Restaurant. If, however, our costs and expenses in reviewing and processing the transfer, including attorneys' fees, exceed the applicable transfer fee, then in addition to the transfer fee you agree to cover those additional costs and expenses (including our time). If the transferee is a wholly owned Business Entity, spouse or child of the transferor, or another Franchisee within the Network, we will not charge you the Transfer Fee, provided a General Manager we previously approved and trained continues to operate the Franchise.

(f) **Renewal Fee**. If you decide to obtain a Renewal Franchise Agreement after the expiration of the Initial Term in accordance with Subsection 16.2(a), you must pay us a Renewal Fee of $12,500.

(g) **Our Attorneys' Fees**. If after the Franchise Agreement is signed by the parties: (i) you request our written consent to any action of yours and we consult our attorney; or (ii) we have our attorney prepare a letter, notice of default or notice of termination to you, then you agree to reimburse us for our reasonable attorneys' fees and costs under these circumstances.

(h) **Other Fees**. There are certain other fees, and reimbursement and indemnification obligations that are specified in this Agreement.

SECTION 3.2 PAYMENT SCHEDULE

You must compute all amounts due and owing for Royalty Fees and Advertising Contributions, if any, at the end of each month's operation and annually for any E-Mail/Home Page Fees (collectively, the "Recurring Fees"). You must pay the Royalty Fees and Advertising Contributions, if any, on or before the 10th day of the following month and you must pay the E-Mail/Home Page Fees annually as requested by Franchisor. All other amounts due to us from you are payable as specified in this Agreement. If we do not specify a due date, these amounts are due upon receipt of an invoice from us. We reserve the right to change the reporting day for any amounts. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require verifying the accuracy of remittances.

SECTION 3.3 ELECTRONIC PAYMENT SYSTEM

(a) **Operating Account.** You will open a separate operating account with a bank for the Gus's Restaurant. Upon our request, you will make all payments to us and our Affiliates by pre-authorized transfers from the operating account by electronic fund transfers that we process at the time any payment is due or by any other payment system that we designate (the "Electronic Payment System"). You will cooperate with us to implement the Electronic Payment System within 15 days before the Opening Date. You agree to cooperate with us in maintaining the efficient operation of the Electronic Payment System including depositing all Gross Revenues you receive into your operating account within 1 Business Day of receipt.

(b) **Instructions to Bank**. You will give your bank instructions in a form we approve and will obtain the bank's agreement to follow these instructions. You will provide us with copies of these instructions and agreement. The bank's agreement may not be withdrawn or modified without our written approval. You will also sign all other forms for funds transfer as the bank or we may request.

(c) **Copies of Statements**. We may require that your bank send to us a monthly statement of all activity in the designated account at the same time the bank sends the statements to you. The bank must agree to send to us any other reports of the activity in the operating account, if we reasonably request.

(d) **Other Bank Accounts**. If you maintain any other bank accounts for your Gus's Restaurant, you must identify these accounts to us.

(e) **Bank Charges**. You will pay all charges imposed by your bank. We will pay the charges imposed by our bank for the Electronic Payment System.

SECTION 3.4 INTEREST ON LATE PAYMENTS; LATE CHARGE

Although each failure to pay monies when due is a breach of this Agreement, to encourage prompt payment and to cover our costs involved in processing late payments, if any payment under this Agreement or any other agreement between us or our Affiliates and you for your Gus's Restaurant is overdue for any reason, you must pay to us, on demand, in addition to the overdue amount, any insufficient funds (NSF) charges we incur and interest on the overdue amount from the date it was due until paid equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law. You must also pay a late charge of $150 for each overdue payment.

SECTION 3.5 APPLICATION OF PAYMENTS

We have sole discretion to apply any payments you make to your past due indebtedness including Royalty Fees, E-Mail/Home Page Fees, Advertising Contributions, purchases from us or our Affiliates, interest, NSF charges, or any other indebtedness of you to us or our Affiliates in any manner we choose regardless of your designation.

SECTION 3.6 NO WITHHOLDING

You agree that your obligations to make payments under this Agreement and any other agreement entered into with us or our Affiliates for your Gus's Restaurant, and our rights and those of our Affiliates to receive these payments, are absolute and unconditional. All payments are not subject to any withholding, abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims that you have or may have against us, any of our Affiliates, any of our designees, or against any other person for any reason.

ARTICLE 4 - YOUR DUTIES

SECTION 4.1 ACQUISITION OF THE SITE

(a) **Site Approval**. You are solely responsible for selecting the site for the Gus's Restaurant**.** If you have not selected a site as of the Agreement Date, you must complete the acquisition or lease arrangements for the site of your Gus's Restaurant within the Reserved Area within 90 days after the Agreement Date, and obtain our written approval of the site in accordance with Section 2.1. We may require that you engage a real estate broker of your choosing, or, at our discretion, our approved broker, to advise and assist you in locating, selecting and negotiating the terms of the lease for the site. Any fee charged by our approved broker for this service is your responsibility. If we have not approved a site within 90 days after the Agreement Date, we have the right to terminate this Agreement. Upon our termination of this Agreement, we will retain a reasonable portion of the Initial Franchise Fee to cover our costs and expenses we have incurred for the assistance we have provided to you under this Agreement and for our lost opportunities.

(b) **Lease of the Site**. We must approve any lease of the Premises. You must deliver a copy of the proposed lease to us at least 15 days before you sign it. You must use commercially reasonable efforts to sign an agreement with the landlord of the Premises substantially similar to our form of Agreement with Landlord, the form of which is included in Exhibit I to the FDD.

(c) **Purchase of the Site**. If you intend to purchase the site, you must submit the purchase agreement to us for our written approval. You are solely responsible for securing any necessary purchase, construction, permanent or other financing of the site and the Premises. Once you have acquired ownership of the property and have completed the construction of the Premises, you will enter into with us the Agreement with Landlord, both as landlord and as the Franchisee, in the form included in Exhibit I to the FDD.

SECTION 4.2 CONSTRUCTION OF GUS'S RESTAURANT

(a) **Construction Process.** You must construct and equip the Gus's Restaurant in strict accordance with our then current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, accessory features and design and layout of the building in which the Gus's Restaurant will be located. You may not start permitting or construction of the Gus's Restaurant until you have received our written approval of your building plans. If your Gus's Restaurant is not constructed according to the previously approved building plans with only minor variations in order to comply with governmental requirements and codes, or to address unforeseeable property conditions, we may not approve your Gus's Restaurant for opening. You will have 30 days from the date we deny our approval for opening your Gus's Restaurant to correct all the construction problems so that your Gus's Restaurant is constructed in accordance with the requirements set forth hereinabove. If you fail to correct the problems within the 30-day period, or if the correction is of a nature that requires more than 30 days, and you fail to commence such correction within the 30-day period and/or fail to diligently pursue such correction thereafter, we may immediately terminate this Agreement. If the Gus's Restaurant opening is delayed for the foregoing reasons, you will be responsible for any losses and costs related to such delay.

(b) **Construction Requirements**. Without limiting the generality of Subsection 4.2(a), you must promptly, after obtaining possession of the site for the Gus's Restaurant: (i) retain the services of an architect; (ii) retain the services of a general contractor; (iii) have prepared and submitted for our prior written approval a site survey and basic architectural plans and specifications (not for construction) consistent with our then current general atmosphere, image, color scheme and ambience requirements (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating); (iv) purchase or lease and then, in the construction of the Gus's Restaurant, use only the approved building materials, equipment, fixtures, furniture and signs; (v) complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Gus's Restaurant in full and strict compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; (vi) obtain all customary contractors' sworn statements and partial and final waivers; (vii) obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including the Americans With Disabilities Act; and (viii) obtain and maintain all required zoning changes, building, utility, health, sanitation, beer and sign permits and licenses and any other required permits and licenses. We reserve the right to require you to retain the services of a company specialized in assisting restaurant operators during the construction process to assist you in submitting, processing, monitoring and obtaining in a timely manner all necessary construction documents, licenses and permits and to advise you throughout the construction of your Gus's Restaurant. It is your responsibility to comply with the foregoing conditions.

(c) **Prototype Plans and Specifications.** You must use the conceptual drawings or floor plan made available to you by us when working with your architect and general contractor. You, your affiliates or your Franchise Owners, or any person related to, or any entity controlled by your Franchise Owners may not be your general contractor unless you have requested our approval and we have approved your request in writing.

(d) **Changes**. Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior decor or image, equipment or signage of the Gus's Restaurant to be made after our consent is granted for initial plans, whether at the request of you or of us, must be made in accordance with specifications that have received our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans.

(e) **Progress Reports**. You must begin substantial construction (site work, utility infrastructure and building erection) of the Gus's Restaurant within 180 days after the Agreement Date. We may require you to provide us weekly development and construction progress reports in the form we designate from the date you begin development until the date you open the Gus's Restaurant. For instance, you may be required to contact the designated project manager and provide construction manual checklists and digital photos during construction on a weekly basis. You agree that our representatives have the right to inspect the construction at all reasonable times. You agree that time is of the essence in constructing and opening your Gus's Restaurant.

(f) **Loan Documents**. In addition, on or before the deadlines to start construction, you must submit to us signed copies of any loan documents and any other document that proves that you have secured adequate financing to complete the construction of the Gus's Restaurant by the date you are obligated to have the Gus's Restaurant open and in operation. If you fail to begin construction or to secure financing pursuant to this Section, we will have the right to terminate this Agreement without opportunity to cure.

SECTION 4.3 POS SYSTEM

(a) **Procurement and Installation**. Before the Opening Date, you must procure and install at your Gus's Restaurant the POS System that we specify in the Operations and Policies Manual or otherwise including all future updates, supplements and modifications (the "POS System"). The POS System includes all hardware and software used in the operation of the Gus's Restaurant, including electronic point-of-sale cash registers and back office programs used to record, analyze and report sales, labor, inventory and tax information. The computer software package developed for use in the Gus's Restaurant may include proprietary software. Although we do not, at present, have any proprietary software that you are required to license from us, we reserve the right to do so in the future. If we, an affiliate or a third party creates proprietary software, we will require you to license the proprietary software from us, the affiliate or the third party and you also may be required to pay a reasonable software licensing or user fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the computer system must conform to specifications we develop. We reserve the right to designate a single source from whom you must purchase the computer system.

(b) **Our Right of Access**. You will provide any assistance we require to bring the POS System "on-line" with our Internet-based system. You must have at the Gus's Restaurant 24/7 Internet access with a form of high-speed connection. You acknowledge and agree that we have the right to retrieve all data and information from your POS System, as we deem necessary. We maintain all rights to the customer data and financial information collected via the POS System and on our Website. The information includes customer data, financial data, customer demographic information, customer purchasing data, business and financial records and reports, and all other information that we designate in the Operations and Policies Manual or otherwise in writing. We do not obtain information regarding your employees' work schedules, compensation including rate and method of payment and employment records.

(c) **Maintenance and Upgrades**. To ensure full operational efficiency and communication capability between your POS System and our Internet-based system, you will keep the POS System in good maintenance and repair. You will install all additions, changes, modifications, substitutions and/or replacements to your POS System's hardware and software (specifically including remaining compliant with the current PCI Security Standards Council standards to enhance payment card data security), and your telephone and power lines, that we specify, in our sole discretion, in the Operations and Policies Manual or otherwise on a Network-wide basis subject to the Capital Expenditure Limitation.

(d) **Upgrades**. You agree that computer systems are designed to accommodate a certain maximum amount of data and terminals and, as limits are achieved, and/or as technology and/or software is developed, we may require you to add memory, ports and other accessories and/or peripheral equipment and/or additional, new or substitute software to the original POS System. You understand that computer designs and functions change periodically. We may be required to make substantial modifications to our computer specifications. It may become necessary for you to replace or upgrade the entire POS System with a larger or different system capable of assuming and discharging all of those computer-related tasks and functions as we specify.

(e) **Return of Software**. Upon termination or expiration of this Agreement, you will return to us all software, disks, tapes and other storage media we provided to you in good condition (reasonable wear and tear excepted). You will delete all software and applications from all memory and storage devices.

SECTION 4.4 HIRING, TRAINING AND APPEARANCE OF EMPLOYEES

You have independence in all employment matters. You have sole authority and control over the day-to-day operations of the Franchised Business, your employees and/or independent contractors. You agree that you are solely responsible for all employment decisions. You will maintain a competent, conscientious staff and employ the minimum number of employees necessary to meet the anticipated volume of business. You must comply with all federal laws regulating the hiring of employees including the Fair Labor Standards Act, the Immigration and Nationality Act, and the Occupational and Safety Health Act. In addition to you, the Designated Representative or your General Manager, you must have at least 2 assistant managers at all times so that you have 3 trained managers for your Gus's Restaurant. Under no circumstances may you permit management of the Gus's Restaurant's operations by a person who has not successfully completed to our satisfaction all applicable training we require. The Operations and Policies Manual includes our specifications for uniforms for your employees that you purchase directly from our Approved Suppliers. You are solely responsible for all decisions relating to hiring, firing, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline and working conditions. We do not have access to your employees' employment records. At no time will you or your employees be deemed to be our employees. You will include an express, conspicuous notation and acknowledgment on your employment applications and employment agreements stating that the prospective employee (in the case of an application) and the employee (in case of any employment agreement) acknowledges and understands that you, an independently owned and operated Franchised Business, is the employer, and that we are not the employer. Neither this Agreement nor our course of conduct is intended to be construed to state or imply that we are the employer of your employees and/or independent contractor. Employees having access to our Operations Manual or other confidential information must sign the Confidentiality and Noncompetition Agreement included in the Operations Manual.

SECTION 4.5 MANAGEMENT OF YOUR GUS'S RESTAURANT

(a) **Your Management Responsibility**. You have the sole authority and control over the day-to-day operations of the Gus's Restaurant and you are solely liable and responsible for the operation of the Gus's Restaurant in accordance with the terms of this Agreement, the Business System and the Operations and Policies Manual, as amended, regardless of whether you choose to operate the Gus's Restaurant as a full-time owner/operator or hire a General Manager. You acknowledge that, if you choose to operate the Gus's Restaurant using a General Manager, you may experience lower sales and/or higher costs than other Franchise Units managed by owner/operators.

(b) **Designated Representative**. If this Agreement is signed by 2 or more individuals or by a Business Entity, you agree to designate in Section 18.1 one of the Franchise Owners as the "Designated Representative" who has the authority to, and does, in fact, actively direct the operation of the Gus's Restaurant and has authority to sign on your behalf on all contracts and commercial documents. We have the right to approve and the right to rely solely on instructions of the Designated Representative concerning the operation of the Gus's Restaurant until we receive a duly signed written notice changing the Designated Representative and such replacement Designated Representative is approved by us. In the event of the death or disability of the Designated Representative, the remaining Franchise Owners will designate a replacement Designated Representative within 10 days of the death or disability of the Designated Representative.

(c) **General Manager**. The General Manager must devote his or her full time and attention, and best efforts to the on-premises general management and the day-to-day operations of the Gus's Restaurant, and must satisfy our training requirements. You must appoint the General Manager at least 60 days before the Gus's Restaurant opens and the General Manager must be fully trained at least 21 days before the Gus's Restaurant opens.

(d) **Change in General Manager**. If the General Manager fails to satisfy his or her obligations provided in Subsection 4.5(c) due to death, disability, termination of employment or for any other reason, you must employ a replacement General Manager that we approve within 30 days of the prior General Manager failing to satisfy his or her obligations. The replacement General Manager must complete our Initial Training to our satisfaction within 3 weeks of being hired. In the interim, a General Manager or Assistant General Manager may manage the Franchise Business. You are solely responsible for the expenses associated with Initial Training of the replacement General Manager including the then-prevailing standard training fee we charge (currently $500 per day).

SECTION 4.6 APPROVED SPECIFICATIONS AND SOURCES OF SUPPLY

(a) **Purchases from Us or Our Affiliates**. You must purchase from us or our Affiliates items that we require if implemented on a Network-wide basis. We will charge you the same price that we charge all Franchised Units, which will be competitive or in line with similar industry items and recipe products. You will submit payment for orders and pay all shipping, handling and insurance costs to us in the manner and in accordance with the price schedule contained in the Operations and Policies Manual or otherwise provided in writing, which we may amend in our sole direction. You agree to pay us for all orders in accordance with our then-current payment terms and policies. Your orders are subject to our acceptance and we reserve the right to wholly or partially accept or reject any order placed by you. We reserve the right to: (i) deny or limit the amount of credit we will extend to you; (ii) suspend shipments; (iii) make shipments only after all prior orders shipped to you have been paid in full: or (iv) make shipments on a cash in advance, on a C.O.D. basis, or on any other terms which we deem appropriate.

(b) **Purchases from Designated Suppliers**. You must purchase certain products or services solely from third party suppliers that we designate and from no other suppliers. ITEM 8 of the FDD contains the current types of products and/or services and the names of our current Designated Suppliers.

(c) **Approved Supplies and Suppliers**. You must purchase or lease certain specified products, services, inventory, equipment, fixtures, furnishings, signs, advertising materials, trademarked items and novelties, and other items or services (collectively, "Approved Supplies") in connection with the design, construction, equipping and operating of the Gus's Restaurant. Although we do not do so for every item, we have the right to approve the manufacturer, distributor and/or supplier of Approved Supplies (the "Approved Suppliers"). We provide you with a list of Approved Suppliers and a list of Approved Supplies, each of which is included in the Operations and Policies Manual. We reserve the right to amend both the list of Approved Suppliers and Approved Supplies. The Approved Suppliers have demonstrated: (i) the ability to meet our standards and specifications for the specified items; (ii) possess adequate quality controls and the capacity to supply your needs promptly and reliably; and (iii) must have the ability to provide the product and/or service, on a national basis, to at least 80% of the then existing Gus's Restaurants. We will use reasonable efforts to negotiate agreements with suppliers that are in the best interest of all Gus's Restaurants. We retain the right to receive compensation from these Approved Suppliers. In approving suppliers for the Business System, we may take into consideration factors like the price and quality of the products or services and the supplier's reliability. We may concentrate purchases with 1 or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Franchised Units or Company-Owned Units. Approval of a supplier may be conditioned on requirements on the frequency of delivery, standards of service, warranty policies including prompt attention to complaints, and concentration of purchases, as stated above, and may be temporary, pending our additional evaluation of the supplier. All other inventory, products, materials and other items and supplies used in the operation of the Gus's Restaurant that are not included in the list of Approved Supplies or list of Approved Suppliers must conform to the specifications and standards we establish from time to time. **ALTHOUGH APPROVED OR DESIGNATED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS IN ADDITION, WE DISCLAIM ANY LIABILITY ARISING OUT OF OR IN CONNECTION WITH THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED OR DESIGNATED BY US. OUR APPROVAL OR CONSENT TO ANY SERVICES, GOODS, SUPPLIERS, OR ANY OTHER INDIVIDUAL, ENTITY OR ANY ITEM DOES NOT CREATE ANY LIABILITY TO US.**

(d) **Approval of New Specifications and Suppliers**. If you propose to purchase or lease any equipment, supplies, inventory, advertising materials, construction services, or other products or services that are not proprietary to us or an Affiliate from an unapproved supplier, you must submit to us, completed, our appropriate deviation form for approval, or request that the supplier do so itself. We have the right to require, as a condition of our approval, that the supplier permit our representatives to inspect its facilities. If we request, the supplier will deliver samples to us or to our designated independent, certified laboratory for testing. We are not liable for damage to any sample that may result from the testing process. You will pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing (not to exceed $1,000). We may also require as a condition to our approval, that the supplier present satisfactory evidence of insurance (*e.g.,* product liability insurance) protecting our Franchisees and us from all claims from the use of the item within the Business System. We will give you written notice of our approval or disapproval within 10 days after all testing and completion of the above conditions. We reserve the right to re-inspect the facilities and products of any approved supplier and continue to sample the products at the supplier's expense. We reserve the right to revoke approval upon the supplier's failure to continue to meet our standards and specifications.

(e) **Revenues from Suppliers**. We reserve the right to receive payments from Designated Suppliers and Approved Suppliers based on your purchases or leases and the purchases or leases of other Franchisees.

SECTION 4.7 RECIPES

We have developed certain Recipes that are contained in the Operations and Policies Manual. We may continue to develop for use in the Business System certain additional Recipes and revisions to existing Recipes. You agree that our Recipes are all highly confidential and are our trade secrets. Due to the importance of quality control and uniformity of our approved products, ingredients and supplies and the significance of the Recipes to the Business System, it is to the mutual benefit of the parties that we closely control the production and distribution of the approved products, ingredients and supplies used with the Recipes. Accordingly, you will use the Recipes and will purchase from us or from Approved Suppliers, all of the products, ingredients and supplies to be used for the Recipes, all in accordance with our requirements then in effect.

SECTION 4.8 SECRET RECIPE PRODUCTS

You agree that we or an Affiliate has already developed the Secret Recipe Products and may continue to develop for use in the Business System certain additional products that are all highly confidential, secret recipes and trade secrets. Due to the importance of quality control and uniformity of these products and the significance of the proprietary products to the Business System, it is to the mutual benefit of the parties that we closely control the production and distribution of the Secret Recipe Products. Accordingly, you will use the Secret Recipe Products and will purchase from us or from a Designated Supplier or Approved Suppliers all of your supplies of the Secret Recipe Products, all in accordance with our requirements then in effect. **EXCEPT AS WE STATE IN WRITING, WE DO NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES ON THESE PRODUCTS, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. OUR EXCLUSIVE LIABILITY FOR ANY WARRANTIES EXTENDED AS PROVIDED IN THIS AGREEMENT IS TO REPLACE ANY OF THE SECRET RECIPE PRODUCTS WE SOLD TO YOU THAT DO NOT COMPLY WITH THIS WARRANTY. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE YOU PAID FOR ANY SECRET RECIPE PRODUCTS NOT IN COMPLIANCE WITH THIS WARRANTY. WE WILL NOT BE LIABLE TO ANY PARTY, INCLUDING YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, FROM THE USE OF (OR INABILITY TO USE) THE SECRET RECIPE PRODUCTS FOR ANY PURPOSE.**

SECTION 4.9 CREDIT CARDS AND OTHER METHODS OF PAYMENT

You will establish and maintain merchant account services in order to accept VISA, MasterCard, American Express and all other credit and debit card issuers or sponsors, check verification services, financial center services, and electronic fund transfer systems as we designate in order that you may accept customers' credit and debit cards, checks, and other methods of payment. We reserve the right to require the addition or deletion of credit card relationships and other methods of payment if implemented on a Network-wide basis. You will comply with all our credit card policies for a customer's use of a credit card as stated in the Operations and Policies Manual.

SECTION 4.10 TELEPHONES, FAX AND ANSWERING SERVICE

You will maintain:

(a) **Smartphone**. You must purchase a smartphone and have it in your possession at all times for communications with us and your customers.

(b) **Telephone System**. A sufficient number of operating telephone lines, fax lines and telephone numbers to be used exclusively for the operation of your Gus's Restaurant that we reasonably require, with sufficient staff to handle telephone calls in an efficient and courteous manner at all times during normal business hours; and

(b) **Operating Internet Data Line**. You must also maintain an operating Internet data line at your Franchise Business that permits us to monitor accounting and operational information electronically.

SECTION 4.11 BEER LICENSE

You must secure and maintain in force a beer license that permits beer sales 7 days a week. If your Gus's Restaurant is open and operating and a change occurs in applicable state or local law that does not permit beer sales on Sundays, it will not be a breach of this Agreement. If your beer license is suspended or revoked, in addition to our right to terminate this Agreement, we reserve the right to charge you the Royalty Fee on the Gross Revenues you would have received on the lost beer sales during the license suspension. We will estimate the Gross Revenues based on the prior year's Gross Revenues during the suspension period.

SECTION 4.12 OPENING OF GUS'S RESTAURANT

(a) **No Opening Without Our Consent**. You agree not to open your Gus's Restaurant for business before we have given you our written consent. If you open your Gus's Restaurant before we have given our written consent, you must cease operating and you must pay us liquidated damages of $500 per day for each day you were open.

(b) **Conditions to Opening**. We will give our written consent when: (a) all your obligations under Sections 4.1 through 4.11 have been fulfilled; (b) we determine that your Gus's Restaurant has been constructed, furnished, equipped, and decorated in accordance with approved plans and specifications; (c) the training of the Trainees has been completed to our satisfaction; (d) the Initial Franchise Fee and all amounts due to us and our Affiliates under this Agreement have been paid in full; (e) we have been furnished with certificates of insurance and copies of all insurance policies or all other evidence of insurance coverage as we reasonably request; (f) you have obtained a certificate of occupancy for your Premises; and (g) you have obtained all necessary licenses and permits to operate your Gus's Restaurant. You will comply with these conditions and be prepared to open your Gus's Restaurant for business within 12 months after the Agreement Date. If you fail to open your Gus's Restaurant within 12 months after the Agreement Date, we have the right to terminate this Agreement and retain the Initial Franchise Fee to cover our costs and expenses for the assistance we have provided to you under this Agreement.

(c) **Costs to Open**. Within 120 days after you open your Gus's Restaurant, you will prepare and provide us with a complete and detailed written breakdown of all costs incurred in the development of your Gus's Restaurant.

(d) **Certificate of Performance**. After we have performed all of our pre-opening obligations and you are open for business, we may request you to sign a certification in the form included in the Operation and Policies Manual ("Certificate of Performance") confirming our performance. If, in good faith, you do not believe that we have not completed certain of our pre-opening obligations, you will note the alleged deficiencies on Schedule A – List of Deficiencies to Certificate of Performance specifically describing the obligations that you believe we have not performed.

SECTION 4.13 OPERATIONAL REQUIREMENTS

You agree to operate the Gus's Restaurant in conformity with all uniform methods, standards and specifications as we reasonably require and in accordance in the Operations and Policies Manual, as amended from time to time, or otherwise, to ensure that the highest degree of quality and service is uniformly maintained.

(a) **Use of Premises**. You must use your Premises only for the operation of your Gus's Restaurant, unless we otherwise approve in writing.

(b) **Use of POS System**. You must record all Gross Revenues on the approved POS System.

(c) **Approved Menu; Menu Boards**. You will confine the operation of your Gus's Restaurant to the preparation and sale of the Menu Items and other food and beverage products as we designate and approve in writing from time to time for sale by your Gus's Restaurant. You must offer for sale from the Gus's Restaurant all items and only those items listed as Menu Items and other approved food and beverage products. You must offer the full Approved Menu during all hours of operation. We have the right to make modifications to these Menu Items from time to time, and you agree to comply with any modifications. You may not offer or sell any other product or service at the Gus's Restaurant without our prior written consent. You must use menu boards and the Approved Menu that comply with our specifications for materials, finish, style, pattern and design.

(d) **Authorized Products and Ingredients**. You must use in the operation of the Gus's Restaurant and in the preparation of Menu Items and other food and beverage products only the proprietary sauces and mixes and other proprietary and non-proprietary Secret Recipe Products ingredients, Recipes, formulas, cooking techniques and processes and supplies, and must prepare and serve Menu Items and products in such portions, sizes, appearance, taste and packaging, all as we specify in our most current product preparation materials contained in the Operations and Policies Manual or otherwise in writing. All supplies, including containers, cups, plates, wrapping, eating utensils, and napkins, and all other customer service materials of all descriptions and types must meet our standards of uniformity and quality. You acknowledge that the Gus's Restaurant must at all times maintain an inventory of ingredients, food and beverage products and other products, material and supplies that will permit operation of the Gus's Restaurant at maximum capacity.

(e) **Catering and Delivery Services**. You may engage in catering and delivery services and activities within your Limited Protected Territory. You may not engage in catering and delivery services and activities outside of your Limited Protected Territory, unless we authorize you in writing. You must charge the same price for Menu Items and other products offered by the Gus's Restaurant whether delivered, catered by, or sold in the Gus's Restaurant but you may charge additional catering and delivery fees as necessary and appropriate. All income from catering or delivery services must be included in Gross Revenues for purposes of your Royalty Fee and Advertising Fee. You must provide any catering and delivery services in accordance with the terms contained in the Operations and Policies Manual, this

Agreement and any other written standards. We retain the right to revise and/or make exceptions to these policies as they apply to you and other Franchisees.

(f) **Vending Services**. If you install or maintain on the Premises any newspaper racks, video games, jukeboxes, gum machines, games, rides, vending machines, or other similar devices that do not meet with our approval, you must remove them within 3 days from receiving our written notice. Pool tables, cigarette vending machines, gambling and gaming machines or games of chance are not allowed without our prior written approval. Any income from vending services in the Gus's Restaurant or on its Premises, regardless of which person or entity collects the money, and regardless of whether we authorized you to install them, must be included in Gross Revenues for purposes of your Royalty Fee and Advertising Fee. Upon our written approval, the money derived from services provided by charitable organizations or services that are for customer convenience, such as pay phones or cash machines, are not included in the definition of Gross Revenues.

(g) **Inventory Control**. You will maintain in sufficient supply (as we may reasonably require in the Operations and Policies Manual or otherwise in writing) and use at all times, only inventory, equipment, materials, advertising methods and formats, and supplies that conform with our standards and specifications, if any, at all times sufficient to meet the anticipated volume of business, and to refrain from deviating from these requirements without our written consent.

(h) **Standards of Conduct**. You will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, employees, independent contractors, us and the public.

(i) **Payment of Debts**. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us and our Affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors arising from or related to your Gus's Restaurant; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Gus's Restaurant; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Gus's Restaurant. If you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

(j) **Customer Complaints**. You must respond to a written complaint from a customer within 7 days of receipt and send us a copy of the complaint and your written response. We may, but without having any responsibility to do so, direct you in resolving the complaint and you agree to work diligently with us in resolving the matter.

(k) **Gift Card Program**. You must use and honor only system-wide gift cards, certificates and checks that we designate and you must obtain all certificates, cards or checks from an approved supplier. We have developed a gift card program and require that you sign the Affiliated Seller Agreement attached as Exhibit G to the FDD. At the time of termination or expiration, or the transfer of your rights under this Agreement, you must pay all amounts owed by you under the Affiliated Seller Agreement.

(l) **Serving and Promotional Items**. All sales promotion material, customer goodwill items, cartons, containers, wrappers and paper goods, eating and serving utensils and other items, and customer convenience items used in the sales promotion, sale and distribution of products covered by this Agreement are subject to our approval and must, where practicable, contain one or more of the Trademarks. We may require you to carry and offer for sale in the Gus's Restaurant a representative supply of approved trademarked clothing and other novelty items, including special promotional items that we develop and market from time to time.

(m) **Period of Operation**. Subject to any contrary requirements of local law, your Gus's Restaurant must be opened to the public and operated with the full Authorized Menu each Business Day although you have the option to close your Gus's Restaurant, with prior notification to us, 5 days per year, although never 2 consecutive days (with the exception of Christmas Eve and Christmas Day). We must authorize in writing of any variance from this provision. You acknowledge and agree that if your Gus's Restaurant is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the Franchise and the Gus's Restaurant, unless the closure was due to force majeure as provided in Section 19.12.

(n) **Suggested Pricing Policies**. We may make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, you have the sole and exclusive right as to the minimum prices you charge for the Menu Items offered at the Gus's Restaurant. We retain the right to establish maximum prices to be charged by you for sales promotions. Any list or schedule of prices we furnish to you are recommendations only and failure to accept or implement any such suggestion will not in any way affect the relationship between you and us, unless otherwise specifically stated as a maximum price.

(o) **Contributions and Donations**. In order to protect the Intellectual Property, you must obtain our prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). We may withhold our consent in our sole and absolute discretion.

(p) **Data Privacy**. You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of Franchise Business operating under the Marks and System. Accordingly, you agree that you will meet or exceed, at all times all applicable security standards developed by the Payment Card Industry Data Security Standards ("PCIDSS") council or it successor and other regulation and industry standards applicable to the protection of customer privacy and credit card information including the Fair and Accurate Credit Transaction Act ("FACTA") and all other successor or additional law and all other data security requirements we prescribe. You are solely responsible for educating yourself as to the regulations and standards and for achieving and maintaining applicable compliance certification. You will defend indemnify and hold us harmless from and against all claims arising out of or relating to your violation of this Subsection.

SECTION 4.14 COMPLIANCE WITH LAWS, RULES AND REGULATIONS

(a) **Federal, State and Local Laws, Rules and Regulations**. You will comply with all federal, state, and local laws, rules, regulations, codes and ordinances. You will timely obtain, maintain and renew when required all permits, certificates and licenses necessary for the proper conduct of your Gus's Restaurant under this Agreement. These include anti-terrorism laws (Executive Order 13224), qualification to do business, fictitious, trade or assumed name registration, building and construction permits, occupational licenses, sales tax permits, health and sanitation permits and ratings, fire clearances, hazardous waste and other environmental permits. You acknowledge that: (i) federal, state and local governments administer and enforce regulations that include standards, specifications and requirements for the construction and maintenance of your Premises; fire safety, general emergency procedures, and customer/employee safety regulations; and, specifications and requirements that govern food preparation and health and restaurant sanitary conditions; (ii) OSHA and health regulations as well as state and local safety and workplace regulations may impact the types of safety training, safety devices, and safety equipment you must make available to or must offer your employees; (iii) the U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce regulations related to the storage and disposal of waste, cleaning supplies, and other hazardous materials; (iv) the Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles; (v) certain state and local governments have also adopted proposals that regulate indoor air quality, including no smoking policies; and (vi) you must comply with all city, state, county and federal laws, regulations and licensing requirements related to the offer and sale of beer and wine at the Gus's Restaurant. You will comply with all of these laws and regulations and all other applicable laws and regulations relating to the operation of the Gus's Restaurant.

(b) **Anti-Terrorism Laws**. You and your Franchise Owners agree to comply, and to assist us, to the fullest extent possible, in our efforts to comply with Anti-Terrorism Laws. In this regard, you and your Franchise Owners certify, represent and warrant that none of their property or interests is subject to being blocked under any Anti-Terrorism Law. You further represent and warrant that you and your Franchise Owners are not in violation of any Anti-Terrorism Law. Any violation of the Anti-Terrorism Laws by you or your Franchise Owners, or any blocking of your or your Franchise Owners' assets under the Anti-Terrorism Laws constitute good cause for immediate termination of this Agreement. Upon termination, you will sign the General Release included in Exhibit N of the FDD.

SECTION 4.15 MAINTENANCE AND REPAIRS

(a) **Ongoing Maintenance**. The building, equipment, fixtures, furnishings, signage and Trade Dress (including the interior and exterior appearance) employed in the operation of your Gus's Restaurant must be maintained in the highest degree of sanitation, repair, appearance, condition and security as stated in the Operations and Policies Manual and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon periodic evaluations of the Premises by our representatives. Within a period of 30-45 days (as we determine depending on the work needed) after the receipt of any particular report prepared following an evaluation, you must effect the items of maintenance we designate, including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and interior signage, subject to the Capital Expenditure Limitation. If, however, any condition presents a threat to customers or public health or safety, you must immediately cure the condition regardless of cost, as further described in this Agreement. The items of maintenance generally result from common wear and tear over a period of time, accidents or lack of care. Examples include repairing or replacing HVAC equipment, plumbing and electrical systems that are not functioning properly; repairing a leaking roof; repairing or replacing broken equipment; refreshing general appearance items such as paint (interior and exterior) and landscaping; replacing worn flooring, furniture and other furnishings; and conducting routine maintenance of areas that affect the appearance of the Gus's Restaurant and goodwill of the Trademarks such as the appearance of the outdoor signage, the parking lot and dumpster area.

(b) **Additional or Replacement Equipment**. If we determine additional or replacement equipment is required on a Network-wide basis because of a change in Menu Items or method of preparation and service, a change in technology, a change in services, customer concerns or health or safety considerations, you will install the additional equipment or replacement equipment within the time we specify, subject to the Capital Expenditure Limitation.

(c) **Maintenance Contracts**. You must maintain contracts with third parties for the maintenance of the Premises, the equipment and the landscaped areas. These contracts must provide for the performance of services, including preventative maintenance services, and be with financially responsible firms that: (i) maintain adequate insurance and bonding; (ii) have personnel who are factory trained to service equipment of the type in the Premises; and (iii) maintain an adequate supply of parts for the equipment. You will provide us with a copy of any contract for maintenance that you enter into with any outside maintenance firm if we request.

(d) **Signage**. The outdoor signage at your Gus's Restaurant must comply with our then-current specifications, which we may modify and change from time to time due to modifications to the Business System, including changes to the Trademarks. You must make such changes to the outdoor signage as we require, but not more frequently than once every 5 years. We will pay for 1/3 of the cost to replace your outdoor signage if: (i) your Gus's Restaurant's sign is less than 2 years old and (ii) we require that you replace the sign within 1 year from the date of notification. In any case, your failure to replace the signage within 15 months from the date of notification constitutes a default of this Agreement. Any upgrades to the type or size of your outdoor signage will be at your expense.

SECTION 4.16 TAX PAYMENTS; CONTESTED ASSESSMENTS

You will obtain a sales tax dealer certificate and a tax resale certificate for inventory resold to customers, if required by state or local law. You will promptly pay when due all taxes required by any federal, state or local tax authority including unemployment taxes, withholding taxes, sales taxes, use taxes, income taxes, tangible commercial personal property taxes, real estate taxes, intangible taxes and all other indebtedness you incur in the conduct of your Gus's Restaurant. You will pay to us an amount equal to any sales tax, goods and services tax, gross receipts tax, or similar tax imposed on us for any payments you make to us, unless the tax is based on our net income or our corporate status in a state. If we pay any tax on your behalf, you will promptly reimburse us the amount paid. If there is any bona fide dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you will not permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises or any assets used in your Gus's Restaurant.

SECTION 4.17 CUSTOMER SURVEYS; CUSTOMER LIST

You will present to customers any evaluation forms we require and will participate and/or request your customers to participate in any marketing surveys performed by or for us. You will maintain a current customer list of those customers to whom you provide catering services containing each customer's name, address, telephone number and e-mail address, and supply a copy of the list to us on a quarterly basis. You must participate in any reasonable process we develop to record all customer information. You retain ownership of your customer lists. We will not use your customer list in any activity adverse to, or in competition with, you.

SECTION 4.18 INSPECTIONS AND EVALUATIONS

(a) **Periodic Inspections**. You will permit our representatives to enter your Gus's Restaurant at all reasonable times during the Business Day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you We have the right to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving. We will perform an inspection in a manner that minimizes interference with the operation of your Gus's Restaurant. You will cooperate fully with our representatives in the inspection. You will render assistance as they may reasonably request. You will permit them to observe how you are selling the products and rendering the services, to monitor sales volume, to conduct a physical inventory, to confer with your employees and customers and to remove samples of any products, supplies and materials in amounts reasonably necessary for inspection at our office and record keeping. We may videotape the inspection.

(b) **Mystery Shoppers**. Our inspections and evaluations may include a "mystery shopper" program from time to time throughout the term of this Agreement. We hire various vendors who send the "mystery shoppers" into the Gus's Restaurants. If you fail an evaluation by us or by a mystery shopper or if we receive a specific customer complaint, you must pay for the mystery shoppers we send to your Gus's Restaurant (until the issue is resolved to our satisfaction). The current base fee charged by the vendors is between $15 and $75 per visit, which you must pay directly to the vendor. The total fee per visit includes the reimbursement of the tab paid by the mystery shopper for the items consumed at your Gus's Restaurant and, therefore, the actual fee for each visit will vary.

(c) **Evaluation Report**. We will give you an evaluation report listing the deficiencies and the corrective action you must take. Without limiting our other rights under this Agreement, you will take all steps necessary to immediately correct any deficiencies detected during inspections, including immediately stopping use of any equipment, advertising, materials, products, supplies or other items that do not conform to our then-current requirements. If you fail or refuse to promptly correct any deficiency, we have the right, without any claim to the contrary by you, to enter your Premises or office without being guilty of trespass or any other tort, for the purposes of making or causing to be made all corrections as required, at your expense, payable by you upon demand.

SECTION 4.19 NOTICES TO US

(a) **Lawsuits and Warning Letters**. You must notify us in writing and supply us copies of all relevant documents within 5 days of any of the following events:

(i) The commencement of any action, suit or other proceeding against you or any of your employees that may have a material adverse effect on the Gus's Restaurant or the Business System;

(ii) Any communication by any governmental entity involving the conduct of your Gus's Restaurant that indicates your material non-compliance with any applicable law, rule or regulation; or

(iii) The issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality against you or any of your employees that may have a material adverse effect on the Gus's Restaurant or the Business System.

(b) **Progress Reports**. You will provide us with any information we request about the progress and outcome of these events within 5 days of our request.

SECTION 4.20 FRANCHISE OWNERS' MEETINGS OR CONVENTION

You, or your Designated Representative or your General Manager must attend, at your expense, all annual franchise conventions we may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, restaurant management, sales or sales promotion, or similar topics. If you or your Designated Representative or your General Manager is not able to attend a meeting or convention, you must notify us before the meeting and must have a substitute person acceptable to us attend the meeting. In addition, your General Manager must attend the annual training meeting for General Managers that we may hold or sponsor, at your own expense. We reserve the right to require that you and/or your Designated Representative attend any additional meetings that we deem appropriate under special circumstances, provided however, that we will not require more than one additional meeting every year and we will give you written notice of any such meeting at least 10 days before to the meeting. We do not charge a fee for these meetings. However, you are responsible for meals, travel, lodging or other expenses you incur to attend these meetings.

SECTION 4.21 OPERATIONAL SUGGESTIONS

You are encouraged to submit to us written suggestions for improving elements of the Business System, including products, services, equipment, service format, advertising and any other relevant matters for our consideration. You agree that any suggestions you make are our exclusive property. We have no obligation to use any suggestions. You may not use any suggestion inconsistent with your obligations under this Agreement without our written consent.

SECTION 4.22 RENOVATION AND UPGRADING

You agree that you will make such capital improvement or modifications necessary to modernize, redecorate and upgrade your Restaurant, including an upgrade of your equipment to reflect the current image and Trade Dress of new Gus's Restaurants as reasonably requested by us during the term of this Agreement, taking into consideration the cost of the modernization, the life expectancy of the equipment and the then-remaining term of this Agreement. Generally, these requirements will not exceed those applicable to new Franchised Units and new Company-Owned Units. We will not impose any new standards or specifications requiring structural changes or remodeling of your Gus's Restaurant more frequently than once every 7 years and not to exceed $75,000, unless you otherwise consent (the "Capital Expenditure Limitation"). You must complete to our satisfaction any changes we require within a reasonable time, not to exceed 12 months from the date we notify you of any required changes (other than signage). You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of Gus's Restaurants and to avoid deterioration or obsolescence in connection with the operation of the Gus's Restaurant. If you fail to make any improvement as required by this Section or perform the maintenance and repairs described in Section 4.15, we may, in addition to our other rights in this Agreement, effect such improvement, maintenance or repair and you must reimburse us for the costs we incur.

SECTION 4.23 LIQUIDATED DAMAGES FOR SALE OF PROHIBITED PRODUCTS OR SERVICES

You agree that the offer to sell or the sale of unauthorized or prohibited products and services will result in damages to us. You agree to pay us liquidated damages equal to $1,000 for each day of the prohibited offer or sale, payable to us upon demand. These damages are in addition to our other rights or remedies, including our right strictly to enforce or terminate this Agreement as provided in this Agreement and obtain injunctive relief, except to the extent any other rights are excluded by law in light of this Section. The parties agree that a precise calculation of the full extent of the damages that we will incur from the offer or sale of unauthorized products and services is difficult to determine. Since the parties' desire certainty in this matter, the parties agree that the amount of liquidated damages is reasonable and is not a penalty.

SECTION 4.24 PUBLICITY

We have the right to take and use photographs, audio and/or video of the Gus's Restaurant or testimonials from customers of the Gus's Restaurant for publicity and/or advertising purposes, without charge or compensation to you. The photographs, videos, and/or testimonials are our sole property. You acknowledge that we own all right, title and interest and any other rights, as permitted under applicable law, to these photos, audio and video recordings. You agree that we may use your and your Franchise

Owners' names, likeness and voices in promoting the Gus's Restaurants and the Business System. You consent and assign to us all right, title and interest to our use of these names, likenesses and voices. You will cooperate with us in obtaining these audio, video, photographs, testimonials, and the consent of any persons included in these materials.

ARTICLE 5 - INTELLECTUAL PROPERTY

SECTION 5.1 OUR REPRESENTATIONS AS TO THE INTELLECTUAL PROPERTY

We represent to you that:

(a) **Ownership**. Our Affiliate, Gus's IP, is the sole owner of the Intellectual Property;

(b) **Our License.** We have a license from Gus's IP granting us the right to use and to sublicense to our Franchisees the right to use the Intellectual Property in connection with the operation of the Gus's Restaurants;

(c) **Sublicenses.** We have not sublicensed the Intellectual Property to any others except other Franchisees; and

(d) **Protection.** We will take all steps necessary to preserve and protect the ownership and validity of the Intellectual Property.

SECTION 5.2 YOUR USE OF THE INTELLECTUAL PROPERTY

You may use the Intellectual Property only in accordance with standards and specifications we reasonably determine and implement on a Network-wide basis. You agree that:

(a) **Limitation on Use.** You will use the Intellectual Property only for the operation of your Gus's Restaurant at the Premises.

(b) **Prohibitions**. You will not employ any of the Intellectual Property in signing any contract, check, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours.

(c) **Packaging**. You have no right to pre-package or sell pre-packaged food products or beverages, or any other related goods or services, using the Intellectual Property unless we have given you written approval.

(d) **Sole Business Name**. You will use our Principal Trademarks as the sole service mark identification for your Gus's Restaurant and will display prominently our Principal Trademarks on and/or with all materials that we designate and authorize and in a manner that we specify.

(e) **No Encumbrance.** You will not use any of the Intellectual Property as security for any obligation or indebtedness.

(f) **Fictitious Name.** You cannot use Gus's or Gus's World Famous Fried Chicken or any other word to which we object as part of your legal business name. You must comply in filing and maintaining any required fictitious, trade or assumed name registrations for the "Gus's World Famous Fried Chicken" trade name for example, John Jones d/b/a " Gus's World Famous Fried Chicken" or ABC, Inc. d/b/a "Gus's World Famous Fried Chicken," and will sign all documents that we or our counsel deem reasonably necessary to obtain protection for the trademarks and our interest in the trademarks.

(g) **Signage**. You will maintain a suitable sign or graphics package at, or near the front of the Premises, on any pylon sign, building directory or other area identifying the Premises only as "Gus's World Famous Fried Chicken." The signage must conform in all respects to our requirements except to the extent prohibited by local governmental restrictions or by landlord regulations.

(h) **Materials**. All materials including place mats, Authorized Menu, matchbook covers, order books, plastic or paper products and other supplies and packaging materials used in the Network will bear our Intellectual Property, as we specify.

(i) **Your Home Page**. Except for the web page we provide to you, you will not use any of our Trademarks as part of any e-mail address, website, domain name or any other electronic media (including use with any prefix, suffix or other modifying words, term designs, or symbols), or in any other manner connected with a website, advertisements on a website, or other similar electronic media, now known or to be known, without our prior written approval. We will own all electronic media accounts, but you may use them in accordance with the Operations and Policies Manual and with our prior written consent.

(j) **Impairment**. You will exercise caution when using the Intellectual Property to ensure that the Intellectual Property is not in any manner jeopardized, and sign all documents that we or our counsel deem reasonably necessary to protect the Intellectual Property, including, without limitation, the Trademarks and our interest in the Trademarks.

SECTION 5.3 INFRINGEMENT BY YOU

You acknowledge that the use of the Intellectual Property outside the scope of this Agreement, without our written consent, is an infringement of our rights in the Intellectual Property. You agree that during the Initial Term, and after the expiration or termination of this Agreement, you will not, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity of, or our right to, the Intellectual Property, or take any other action in derogation of our rights.

SECTION 5.4 CLAIMS AGAINST THE INTELLECTUAL PROPERTY

If there is any claim of infringement, unfair competition or other challenge to your right to use the Principal Trademarks or the other Intellectual Property, or if you become aware of any use of, or claims to, the Principal Trademarks or the other Intellectual Property by persons other than us or our Franchisees, you will promptly (within 7 days) notify us in writing. You will not communicate with anyone except our counsel and us on any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action on any infringement, challenge or claim. We have the sole right to control any litigation or other proceeding arising out of any infringement of, challenge to, or claim to any Intellectual Property. You must sign all documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Intellectual Property or otherwise to protect and maintain our interests in the Intellectual Property.

SECTION 5.5 YOUR INDEMNIFICATION

We indemnify you against and will reimburse you for all damages and costs (including reasonable attorneys' fees and costs) for which you are held liable in any proceeding based on your use of any of the Intellectual Property in accordance with this Agreement, provided you: (a) have timely notified us of the claim or proceeding in accordance with Section 5.4; (b) have otherwise complied with this Agreement; (c) allow us sole control of the defense and settlement of the action in accordance with Section 5.4; and (d) cooperate fully with our counsel in the defense of the action.

SECTION 5.6 OUR RIGHT TO MODIFY THE INTELLECTUAL PROPERTY

If we deem it advisable to modify or discontinue the use of any of the Intellectual Property and/or use an additional or substitute name or mark, including due to the rejection of any pending application for registration or revocation of any existing registration of any of the Intellectual Property, due to the rights of senior users, or a radical change in direction of the Business System we unilaterally cause or mandate, you are obligated to do so at your expense within 30 days of our request, subject to the Capital Expenditure Limitation.

SECTION 5.7 OUR RESERVATION OF RIGHTS

You agree that the sublicense of the Intellectual Property we grant to you is non-exclusive. In addition to our right to use and grant others the right to use the Intellectual Property outside the Limited Protected Territory, we expressly reserve all rights that we do not expressly grant to you in this Agreement concerning the Intellectual Property or other matters, including:

(a) **Non-Traditional Sites**. We have the right to establish, develop, license or franchise a Unit within your Limited Protected Territory if the Unit is to be located at a Non-Traditional Site.

(b) **Different Business Models**. We have the right to establish, develop, license or franchise other business models, different from the Business System licensed by this Agreement within or outside the Limited Protected Territory, regardless of its proximity to, or potential impact on, the Gus's Restaurant, without offering or providing you any rights in, to, or under the other systems.

(c) **Dissimilar Channels of Distribution**. We have the right to sell or offer to sell similar products and services authorized for the Gus's Restaurant using our Trademarks or Copyrights through dissimilar channels of distribution including the Internet, catalog sales, telemarketing, or other direct marketing within or outside the Limited Protected Territory and under any terms that we deem appropriate, regardless of their potential impact on your Gus's Restaurant, without offering or providing you the right to participate or receive any compensation.

(d) **National Accounts**. We have the right to establish programs involving National Accounts retaining the sole right to sell or provide services to the National Account. If there is a branch of a National Account located within your Limited Protected Territory, you may sell or provide your services to the National Account in accordance with the prices we have negotiated, in accordance with the provisions regarding the National Account Agreement contained in the Operations and Policies Manual.

(e) **Acquisition of Competitive Business**. If we acquire a Competitive Business and outlets of the Competitive Business encroach upon your Limited Protected Territory, we will have 1 year from the date of acquisition of the Competitive Business to sell the encroaching outlets without being in default under this Agreement.

SECTION 5.8 OWNERSHIP; INUREMENT SOLELY TO US

You agree that: (a) you have no ownership or other rights in the Intellectual Property, except as expressly granted in this Agreement; and (b) we are the authorized sublicensor of the Intellectual

Property. You agree that all goodwill associated with the Gus's Restaurant inures directly and exclusively to our benefit and is our sole and exclusive property except through any profit you receive from the permitted sale of your Gus's Restaurant during the Initial Term. You will not in any manner prohibit, or do anything that would restrict, us or any Franchisee from using the Intellectual Property or filing any trade name, assumed name or fictitious name registration with respect to any Gus's Restaurant to be conducted outside the Limited Protected Territory or any business within the Limited Protected Territory that is permitted by this Agreement. If you secure in any jurisdiction any rights to any of the Intellectual Property (or any other Intellectual Property) not expressly granted under this Agreement, you will immediately notify us and immediately assign to us all of your right, title and interest to the Intellectual Property (or any other Intellectual Property).

ARTICLE 6 - THE OPERATIONS AND POLICIES MANUAL

SECTION 6.1 IN GENERAL

(a) **Operating Standards**. Gus's IP has developed standards to protect its and our reputation and goodwill and to maintain uniformity of operation of each Gus's Restaurant that are contained in the Operations and Policies Manual. Gus's IP has authorized us to loan to you a hard copy of the Operations and Policies Manual or, at our discretion, to provide it to you electronically or through an extranet system. The Operations and Policies Manual is an integral part of this Agreement with the same effect as if fully stated in this Agreement. Gus's IP has not developed these standards for the purpose of Gus's IP or us establishing any control or duty to take control over those matters that are reserved to you.

(b) **Operating Routine**. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques and management systems described in the Operations and Policies Manual, as amended, or other written materials relating to product preparation, menu, storage, uniforms, financial management, equipment, facility and sanitation.

(c) **Ownership**. You acknowledge that Gus's IP has developed and owns the information contained in the Operations and Policies Manual.

SECTION 6.2 CONFIDENTIAL USE

(a) **Trade Secret**. You will treat and maintain the Confidential Information as our confidential trade secrets except for information previously known or obtained through independent sources and found within the public domain. You must keep the Operations and Policies Manual in a secure area within the Premises. You will strictly limit access to the Confidential Information to your employees that have signed a Confidentiality and Non-Competition Agreement and you will provide employees access to the Confidential Information to the extent they have a "need to know" in order to perform their duties. You will report the theft, loss or destruction of the Operations and Policies Manual immediately to us. Upon the theft, loss or destruction of the Operations and Policies Manual, we will loan to you a replacement copy at a fee of $250 for each Operations and Policies Manual. We consider a partial loss or failure to update any Operations and Policies Manual a complete loss.

(b) **Unauthorized Use**. You agree that, during and after the Initial Term, you, your Franchise Owners and employees will:

(i) Not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the Gus's concept;

(ii) Maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Initial Term;

(iii) Not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in whatever form;

(iv) Adopt and implement all procedures that we require to prevent unauthorized use or disclosure of, or access to, the Confidential Information;

(v) Not modify, reverse engineer, decompile, create other works from or disassemble any of our or any of our Affiliates' Confidential Information, except as we permit in writing; and

(vi) Not allow any unauthorized person to access our Operations and Policies Manual or any other Confidential Information it contains. If you do so, you will pay us liquidated damages of $5,000.

SECTION 6.3 PERIODIC REVISIONS

(a) **Changes to Manuals**. We will revise the Operations and Policies Manuals and these standards, procedures, techniques and management systems periodically to meet changing conditions of retail operation in the best interest of the Gus's Restaurants. You will comply with each new or changed provision beginning on the 30th day (or any longer time as we specify) after our written notice. We will base revisions to the Operations and Policies Manual on what we determine to be in the best interests of the Business System, our interest and the interest of our Franchisees, including, without limitation, promoting quality, enhancing goodwill, increasing efficiency, decreasing administrative burdens, or improving profitability, subject to the Capital Expenditure Limitation. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right, in our sole discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based on the circumstances then existing. You are not entitled to require us to grant to you a similar variation under this Agreement.

(b) **Variances**. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right, in our sole discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based on the circumstances then existing. You are not entitled to require us to grant to you a similar variation under this Agreement.

(c) **Updates**. You will ensure that your copy of the Operations and Policies Manual contains all updates you receive from us. In any dispute as to the contents of the Operations and Policies Manual, the terms contained in our master copy of each of the Operations and Policies Manual we maintain at our home office is controlling.

SECTION 6.4 PRIOR INFORMATION

You agree that all Confidential Information received before the Agreement Date was unknown to you except through our disclosure and that the marketing practices and operating procedures we develop and franchise to you for the operation of your Gus's Restaurant are important for the success of the Business System. If you receive any Confidential Information after signing this Agreement, and you do not object in writing to us within 30 days after signing this Agreement that any of the information comprising the Confidential Information not be considered Confidential Information, then you have irrevocably waived your right to make any objection. You agree that this representation and warranty is a material inducement for us to enter into this Agreement, and any breach by you is an Event of Default.

ARTICLE 7 - ADVERTISING

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the goodwill and public image of the Business System, the parties agree to the following provisions.

SECTION 7.1 GRAND OPENING ADVERTISING PROGRAM

We have not established a Grand Opening Advertising Program and have no plans to implement one; however, we reserve the right to implement a Grand Opening Advertising Program. If we implement a Grand Opening Advertising Program, you would be required, before the opening of a Gus's Restaurant, to budget up to $7,500, primarily to be spent on food tastings and food donations, during the 90-day period beginning 45 days before the opening of a Gus's Restaurant, and, upon our request, provide to us proof of these expenditures. In addition, if we establish a Grand Opening Advertising Program, you must perform opening advertising and promotions as required by your Franchise Agreement if you relocate the Gus’s Restaurant or reopen the Gus’s Restaurant after it has been closed for 30 days or more.

SECTION 7.2 LOCAL ADVERTISING

(a) **Your Expenditures**. Once you normalize the operation of your Franchised Unit after opening, we encourage, but do not require, Franchisees to donate food representing at least 1% of their Gross Revenues in retail food value.

(b) **Our Approval**. You must submit to us for our approval all materials used for Local Advertising or Traditional Local Advertising, unless we have previously approved the materials or the materials consist only of materials we provide. You are free to use your own advertising materials only if you have obtained our prior written approval. All materials containing the Intellectual Property must include the applicable designation - service marks, trademark™, registered® or copyright©, or any other designation we specify. If you have not received our written or oral disapproval of materials you submitted within 10 days from the date we received the materials, then we are deemed to have approved the materials. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment, the materials or advertising may injure or be harmful to the Business System. You will have 5 days after you receive of our written notice to discontinue using the materials or advertising, unless otherwise agreed in writing.

(c) **Franchise Opportunities Available**. Subject to any legal restrictions, you must place a sign we supply to you in a conspicuous place within the Premises as well as on all Authorized Menus, containing substantially the following statement: "Gus’s World Famous Fried Chicken Franchise Opportunities Available." You must immediately refer all responses to us at 901.567.5261 or any other number we designate and include our corporate address. You have no authority to act for us in franchise sales.

(d) **Social Media**. You must follow our requirements set forth in the Operations and Policies Manual or otherwise in writing for the use of social media, including creating and maintaining a Twitter account, Facebook page, GoMoBo account and other similar types of social media we may add in the future.

(e) **Participation in Certain Promotions**. You must participate in all required advertising and promotional programs we establish. If the promotional program involves beer, or any Menu Item that is listed on the then-current Gus's printed menu (including any limited time offers), we may suggest, but will not require, that you offer the item at a price lower than the everyday menu price.

(f) **No Political Advertising**. You will not allow any political advertising at the Franchise Business and not allow the use of our trademarks by your employees, relatives or friends to any political candidates or any other purpose that is unrelated to the Franchise Business.

SECTION 7.3 REGIONAL COOPERATIVE ADVERTISING

We have not established a regional advertising cooperative in any DMA and have no plans to establish one. However, you agree that we have the right to establish a regional advertising cooperative in any DMA. Upon our request, you will immediately become a member of the Cooperative for the DMA that includes your Limited Protected Territory. Your Gus's Restaurant does not have to be a member of more than one Cooperative. We reserve the right to require Cooperatives to be changed, dissolved or merged.

(a) **Purposes of Cooperative**. If we organize a Cooperative, it will be for the purposes of administering advertising programs and developing standardized promotional materials for use by its members. If organized, the Cooperative may adopt its own rules and procedures, but we must approve the rules or procedures. The rules and procedures must not restrict or expand your rights or obligations under this Agreement. The members of each Cooperative and their elected officers will be responsible for the administration of the Cooperative. Each Cooperative must submit to us the minutes of its meetings upon our request.

(b) **Voting of Members**. Except as otherwise contained in this Agreement, and subject to our approval, any lawful action of the Cooperative at a meeting attended by 67% of the members, including assessments for Cooperative advertising, binds you if approved by 67% of the members present. Each Franchise Unit and Company-Owned Unit has 1 vote; however, no Franchisee (or controlled group of Franchisees) has more than 25% of the vote in the Cooperative regardless of the number of Gus's Restaurants owned by any Franchisee.

(c) **Our Approval of Advertising**. We must approve in writing all advertising or promotional plans or materials the Cooperative proposes to use or furnish to its members. The Cooperative must submit to us all plans and materials and each Cooperative must engage the services of a professional advertising agency or media buyer that meets with our approval and has expertise in the industry and in the particular market.

(d) **Members' Contributions to Cooperative**. If organized, the Cooperative has the right to require each of its members to contribute to the Cooperative an amount not less than ½% or more than 2% of that member's monthly Gross Revenues. We credit this amount against any obligation for Local Advertising or Traditional Local Advertising that may be required. Each member will submit to the Cooperative, no later than the 10th day of each month for the preceding calendar month, his, her or its contribution together with all other statements or reports we or the Cooperative requires. Each Cooperative must prepare annual financial statements, to be sent to us and all members of the Cooperative.

(e) **Impasses**. If an impasse occurs based on its members' inability or failure to resolve within 45 days any issue affecting the establishment or effective functioning of the Cooperative, the issue, upon request of a member of the Cooperative, will be submitted to us for consideration. Our resolution of the issue is final and binding on all members of the Cooperative.

(f) **Changes, Dissolution or Merger of Cooperatives**. We have the right to form, change, dissolve or merge any Cooperative.

SECTION 7.4 INTERNET ADVERTISING AND MARKETING/WEBSITE

(a) **Website**. You must, at your expense, participate in our Gus's website on the Internet, www.GusFriedChicken.com (the "Website"), our intranet system or other online communications as we may require. You must submit to us daily reports via our Intranet system, as further described in Subsection 8.2(a). We have the right to determine the content and use of our Website and intranet system and will establish the rules contained in the Operations and Policies Manual under which you and the other Franchisees may or must participate. We retain all rights relating to our Website and intranet system and may alter or terminate our website or intranet system. We maintain sole and exclusive rights to all content and information displayed or collected on our Website. The content and information includes company information, user demographics and profiles, pictures and graphics, testimonials, advertisements, product information and all other information that we may designate in writing.

(b) **Access**. We permit you access to password protected areas within our Website to assist in the operation of your Gus's Restaurant. We may rescind these rights if you violate the conditions and terms of use as contained in the Operations and Policies Manual or otherwise in writing. We prohibit you from adding to, deleting, or modifying any of the content of the Website without our written permission. You acknowledge that certain information related to your participation in our Website or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Website and intranet system, or otherwise use the Trademarks or Business System on the internet or other online communications, will terminate when this Agreement expires or terminates.

(c) **Domain Name**. We prohibit you from registering any domain name using the Intellectual Property and from hosting a website to promote the Gus's Restaurant or the products or services without our prior written consent. You will not participate in any website that markets goods and services similar to a Gus's Restaurant. We retain all rights to the trade names and other Intellectual Property, and any associated Internet domains used to identify the Business System. You may not use or reference the Trademarks in any online communication or website (including all current and future social media platforms) without our prior written approval.

(d) **Your Home Page**. We may provide you with a customizable home page ("Your Home Page") on our Website to promote the Gus's Restaurant; however, we prohibit you from offering or selling products through the Internet. You must adhere to the methods and procedures we provide for uploading content and managing Your Home Page. You must secure our written permission if you desire to link Your Home Page to other website on the Internet. We have the sole right to modify, change, add to, or delete our domain, Website and Your Home Page. We maintain all rights of ownership in and to Your Home Page. We may discontinue making Your Home Page accessible to you upon 30 days' written notice, or if you are in breach of this Agreement.

(e) **E-Mail Account**. You must maintain an e-mail account to receive e-mails forwarded to your Gus's e-mail address. We provide you up to 5 e-mail accounts, which are limited to separate email account for the Gus's Restaurant, the Designated Representative, Franchise Owners and your General Manager. We have established reasonable standards for e-mail accounts and their use, which we may periodically revise. You will have reasonable time within which to upgrade when standards change. Standards will include a computer capable of running the required software and containing reasonable minimums for memory and data storage and high-speed Internet access. We may also require that you obtain a dedicated IP address for use with the POS System. You are responsible for all charges for these services. From time-to-time, we will send important information to your Gus's e-mail address. In order to stay informed on developments affecting the Business System and your Gus's Restaurant, you agree to check your e-mail at least daily except for Sundays. You must respond to any request we send to you by e-mail that requires a response within 24 hours of your receipt of our e-mail. We maintain all rights of ownership in and to the e-mail accounts. We may discontinue making available the e-mail accounts to you upon 30 days' written notice, or if you are in breach of this Agreement.

SECTION 7.5 ADVERTISING FUND

(a) **Right to Create**. Although we have no present intent to do so, we have the right to create a special fund called the "Gus's Advertising Fund" (the "Advertising Fund"), into which we would deposit the Advertising Contributions described in Subsection 3.1(c) for the benefit of all Franchised Units and Company-Owned Units who contribute to the Advertising Fund. If an Advertising Fund is created, your participation in the Advertising Fund will be mandatory. Non-Traditional Sites would not be obligated to contribute to the Advertising Fund.

(b) **Administration**. If we create an Advertising Fund, we will administer the Advertising Fund. We will use the Advertising Contributions in the Advertising Fund to pay for the costs of creating various advertising, marketing, and promotional materials and to pay for the costs of conducting regional and/or national advertising and promotional activities (including the cost of producing advertising campaigns and marketing materials, conducting test marketing and marketing surveys, and public relations activities) that we deem beneficial to the Business System. We can charge the Advertising Fund for our costs of services we provide, in lieu of engaging third party agencies to provide these services. We will not use any of the funds to offer or sell Gus's Restaurants to prospective franchisees.

(c) **Expenditures**. If we create an Advertising Fund, all fund expenditures are at our sole discretion. We may spend in any calendar year more or less than the total Advertising Contributions to the Advertising Fund in that year. We may loan to the Advertising Fund or borrow from other lenders for the Advertising Fund to cover deficits of the Advertising Fund or cause the Advertising Fund to invest any surplus for future use by the Advertising Fund. We will carry any monies not spent by the Advertising Fund in any particular year to fund production expenses in the next year.

(d) **Rebates**. If we create an Advertising Fund, you authorize us to act as your sole agent to enter into contracts with parties, other than Designated Suppliers and Approved Suppliers, offering promotions, discounts or other programs where you would receive rebates or marketing allowances ("Rebates") relating to our purchase of advertising, marketing, and promotional materials using funds from the Advertising Fund. We will contribute all Rebates paid to us, based on your purchases, and the purchases of other Franchise Units and Company-Owned Units, to the Advertising Fund. By signing this Agreement, you assign all of your right, title and interest in all Rebates to us, and authorize us to furnish any proof of purchase evidence as may be required in accordance with the contracts.

(e) **Annual Report**. If we create and Advertising Fund, we will prepare an annual report of the receipts and expenditures of the Advertising Fund and send a copy of the report to you and all other Franchisees within 150 days after the end of each fiscal year. The Advertising Fund will not be audited.

(f) **Content and Concepts**. If we create an Advertising Fund, we retain sole discretion over all advertising, marketing and public relations programs and activities financed by the Advertising Fund, including, without limitation, the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. You agree that the Advertising Fund may be used to pay the costs of preparing and producing associated materials and programs that we determine, including video, audio and written advertising materials; sponsorship of sporting, charitable or similar events; administering regional and multi-regional advertising programs including purchasing direct mail and other media advertising; employing advertising agencies to assist with marketing efforts; and supporting public relations, market research and other advertising, promotional and marketing activities.

(g) **Termination of Expenditures**. If we create the Advertising Fund, we maintain the right to terminate the collection and disbursement of the Advertising Contributions and the Advertising Fund. Upon termination, we will disburse the remaining funds to existing Franchised Units and Company-Owned Units on a *pro-rata* basis based on their relative amount of contributions.

(h) **Advertising and Marketing Contribution by Us**. Company-Owned Units are required to contribute to the Advertising Fund, if created, and any Cooperative, if formed, on the same basis that Franchised Units are required to contribute. If the Advertising Fund is created, other Franchised Units and Company-Owned Units will be required to contribute to the Advertising Fund on the same basis as you.

ARTICLE 8 - ACCOUNTING AND RECORDS

SECTION 8.1 RECORDS

You will maintain complete and accurate records for the operations of your Franchise Business. The records that you are required to keep for your Gus's Restaurant include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You must segregate these records from all other records that do not concern your Gus's Restaurant. You must allow us electronic and manual access to any records relating to your Gus's Restaurant. You must preserve these records for at least 6 years from the dates of their preparation including after the termination, transfer or expiration of this Agreement.

SECTION 8.2 REPORTS AND STATEMENTS; CONFIDENTIALITY

(a) **Daily/Weekly Reports**. You must submit your Daily Gross Revenues Report daily via our intranet system. You will submit to us by Friday of each week accurate records reflecting all Gross Revenues for the previous Saturday through Friday period, the computation of Royalty Fees, Advertising Contributions and all other information we require.

(b) **Monthly Reports**. You must submit to us all monthly reports for the preceding month by the 10th day of each month in the form and content as we periodically prescribe. The monthly reports may include the following information for the preceding month: (i) the amount of Gross Revenues of the Gus's Restaurant, the amount of sales tax collected and the computation of the Royalty Fee and the Advertising Fee; (ii) quantities of products purchased and the sources from which each were obtained; and (iii) if we request, copies of your most recent sales tax return, monthly cash register sales summary or details and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items

(c) **Annual Financial Statements**. You must also submit, an annual balance sheet, income statement and statement of cash flows, within 90 days of the end of your fiscal year prepared in accordance with Generally Accepted Accounting Principles. You, your treasurer or your chief financial officer, must sign and attest that the financial statements are true and correct and fairly present your financial position at and for the times indicated. You will also supply to us copies of your federal and state income tax returns at the time you file these returns with the appropriate tax authorities. The financial statements and/or other periodic reports described above must segregate the income and related expenses of your Gus's Restaurant from the income and expenses of any other business that you may conduct.

(e) **Confidentiality**. We agree to maintain the confidentiality of all financial information we obtain about your operations. We may disclose this financial information to our professional advisors and any third party that is bound to maintain the confidentiality of the information. We may use the information to prepare a financial performance representation or other information required or permitted by federal or state franchise law. We may prepare a composite list of financial performances by our Franchisees for dissemination among the Franchisees that identifies your Gross Revenues and advertising expenditures. This composite list will not present the information in a manner that your identity can be easily determined.

SECTION 8.3 REVIEW AND AUDIT

(a) **Our Right of Audit**. Our representatives have the right at all times to examine and copy your records. We have the right, at any time, to access your POS System to determine, among other things, sales activity and Gross Revenues. We also have the right, at any time, to conduct an independent audit of your records, but no more than 2 times a year, or more frequently if you are in default under this Agreement. To verify the information you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance. You must fully cooperate with us or our representative in performing these activities and you must reimburse us for any expenses incurred by us from your lack of cooperation.

(b) **Underreporting**. If an inspection reveals you have understated any financial information you have reported to us (including Gross Revenues or payments owed to us), you must immediately pay to us, upon demand, the amount understated and interest at the maximum rate permitted by law beginning from the time the required payment was due. If any inspection discloses an understatement of 2% or more of Gross Revenues, you must also reimburse us for the expenses for the inspection or audit (including, without limitation, reasonable auditing, accounting, attorneys' fees and costs). In addition, we reserve the right to require you to retain an independent certified public accountant reasonably acceptable to us to audit all future year-end financial statements at your expense. These remedies are in addition to any other remedies we have under this Agreement or under applicable law. If the audit discloses an overpayment in any amount you paid to us, we will promptly pay you the amount of the overpayment or offset the overpayment against any amounts owed to us.

SECTION 8.4 YOUR NAME, ADDRESS AND TELEPHONE NUMBER

Under federal and state franchise laws, while you are a Franchisee, we must disclose your name, business address and business telephone number of each of your Franchise Businesses in ITEM 20 of the FDD. After you cease being a Franchisee, we must disclose your name, city and state and then current business telephone number (or if unknown, your last known home telephone number) for a certain time. You agree to this disclosure. You must notify us of any change in your name, address and telephone number within 10 days of the change. This obligation survives the expiration or termination of this Agreement.

ARTICLE 9 - INSURANCE

SECTION 9.1 TYPES AND AMOUNTS OF COVERAGE

You must purchase and maintain in full force and effect, at your expense and from a company we accept and approve, insurance that insures both you and us, our Affiliates and any other persons we designate by name. The insurance policy or policies will be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in writing by us from time to time in the Operations and Policies Manual, and, at a minimum, include the following (except as different coverages and policy limits may be specified for all Franchisees from time to time in writing): (i) property insurance on the Gus's Restaurant, restaurant improvements and all fixtures, equipment, supplies and other property used in the operation of the Gus's Restaurant; (ii) business interruption insurance that covers your loss of income and our Royalty Fees; (iii) comprehensive general liability insurance (which may include umbrella liability); (iv) beer liability insurance; (v) automobile liability insurance on all owned, hired, rented and non-owned vehicles; and (vi) workers' compensation and employer's liability insurance covering all of your employees. In addition, the required liability insurance must (i) name Gus's Franchisor, LLC, Gus's IP, LLC, Hot and Spicy Holdings, LLC and other Affiliates (collectively, the "GF Entities") as additional insureds; (ii) provide severability of interests and/or separation of insureds coverage; and (iii) be primary and non-contributory with any insurance policy carried by the GF Entities. We may from time to time modify the required minimum limits and require additional insurance coverage, by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the Gus's system, standards of liability and higher damage awards. This insurance may be in addition to any other insurance that you must obtain based on the requirements of applicable law, your landlord's requirements, your lender's requirements or otherwise.

SECTION 9.2 EVIDENCE OF INSURANCE

At least 10 days before you begin any construction of the Premises and before you begin operating the Gus's Restaurant, you must furnish to us a certificate of insurance issued by an approved insurance company showing compliance with these insurance requirements and a paid receipt showing the policy number. The certificate of insurance must include a statement by the insurer that the policy will not be canceled, be subject to nonrenewal or be materially altered without at least 30 days' written notice to us. You will send to us current certificates of insurance on an annual basis. You will submit to us promptly copies of all insurance policies and proof of payment upon our request.

SECTION 9.3 REQUIREMENTS FOR CONSTRUCTION OR RENOVATION

For any construction or renovation of the Premises, you must require the general contractor to maintain with an approved insurer commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, and independent contractor's coverage) for at least $1,000,000, with you and the GF Entities as additional named insureds, as their interests may appear, together with workers' compensation and employer's liability insurance required by law.

SECTION 9.4 OUR RIGHT TO PARTICIPATE IN CLAIMS PROCEDURE

Our insurer and/or we have the right to participate in discussions with your insurance company or any claimant (with your insurance company) regarding any claim. You agree to discuss our reasonable recommendations with your insurance carrier regarding the settlement of any claims.

SECTION 9.5 WAIVER OF SUBROGATION

The parties agree that, for any loss covered by insurance carried by the parties, their respective insurance companies have no right of subrogation against the other.

SECTION 9.6 EFFECT OF OUR INSURANCE

Your obligation to maintain the policies in the amounts required is not limited because of any insurance we maintain. Our performance of your obligations does not relieve you of liability under the indemnity provisions in this Agreement.

SECTION 9.7 FAILURE TO MAINTAIN INSURANCE

If you fail to maintain the insurance required by this Agreement, we have the right and authority (but without any obligation to do so), after written notice to you and 10 days in which to cure, to procure the insurance on your behalf. If we do so, we will charge you the cost of the insurance, plus interest at the maximum rate permitted by law and a 15% administrative fee for so acting, that you agree to pay immediately upon notice.

SECTION 9.8 GROUP INSURANCE

If we arrange any insurance coverage through group or master policies such as property and casualty, workers' compensation, liability and health, life and disability insurance, we will offer you the right to participate in the group insurance programs at your expense if the insurance is available in the state in which your Gus's Restaurant is located.

ARTICLE 10 - TRANSFER OF INTEREST

SECTION 10.1 TRANSFER BY US

We have the right to assign this Agreement to any person without your consent.

SECTION 10.2 TRANSFER BY YOU

(a) **Transfer Restrictions**. You shall not sublicense, sell, assign, transfer, convey or encumber your rights and obligations under this Agreement, or any portion thereof, or any portion of the assets comprising the Gus's Restaurant or Franchised Unit outside of the ordinary course or suffer or permit any such assignment, transfer or encumbrance to occur by operation of law without the prior express written consent of us, which consent we shall not withhold, delay or condition unreasonably. In the event the Franchisee is a Business Entity, the members, shareholders, limited partners, beneficiaries, partners or investors, as the case may be, may not sell, assign or otherwise transfer their membership interest, voting or governance right, financial rights, shares, interests or equity, or any portion thereof, in such Business Entity without the prior written consent of us, which consent we shall not withhold, delay or condition unreasonably. Furthermore, in the event that any member, shareholder or partner of the Franchisee (the "Shareholder") is a Business Entity, the interests of the members, shareholders, limited partners, trustees, beneficiaries, partners or investors, as the case may be, or any portion thereof, in such Shareholder, may not be sold, assigned or otherwise transferred, without the prior written consent of us, which consent we shall not withhold, delay or condition unreasonably. In the event the Franchisee (or a Shareholder) is a corporation, all stock certificates of the Franchisee or Shareholder, as the case may be, shall have conspicuously endorsed upon them a legend in substantially the following form:

"A transfer of this stock is subject to the terms and conditions of a Franchise Agreement with Gus's Franchisor, LLC dated the _____ day of ______________, _____."

(b) **Permitted Transfer**. We will consent to a transfer of this Agreement if you satisfy the following requirements:

(i) You must submit to us our form of Application for Consent to Transfer. You will also submit other information and documents (including a copy of the proposed purchase or other transfer agreement) we require under our then-current transfer procedures. The application must indicate whether you or a Franchise Owner proposes to receive by the transferee a security interest in the property transferred. You may not receive a security interest without our prior written consent and upon conditions acceptable to us. Any agreement used in connection with a transfer will be subject to our prior written approval, which approval we will not withhold unreasonably.

(ii) We have not exercised our right of first refusal under Section 10.5.

(iii) You are not in default of any term of this Agreement or any other agreement between you and us or our Affiliates at the time of transfer.

(iv) The transferee interviews at our principal office and demonstrates to our satisfaction that the transferee has the business and personal skills, moral character, reputation and financial capacity that we require of new Franchisees and has no ownership interest in a Competitive Business.

(v) We have the right to require you to prepare and furnish to the transferee and/or us such financial reports and other data relating to the Gus's Restaurant and its operations reasonably necessary or appropriate for the transferee and/or us to evaluate the Gus's Restaurant and the proposed transfer. You agree that we have the right to confer with any proposed transferee and furnish him or her with information concerning the Gus's Restaurant and the proposed transfer without being liable to you, except for intentional misstatements we made to a transferee. Any information furnished by us to a proposed transferee is for the sole purpose of permitting the transferee to evaluate the Gus's Restaurant and proposed transfer and must not be construed in any manner or form whatsoever as financial performance representations or claims of success or failure.

(vi) The transferee must sign our then-current form of Franchise Agreement and all other agreements attached as exhibits to our then-current FDD. The new Franchise Agreement and other agreements may vary in material aspects from this Agreement, including higher Royalty Fees and Advertising Contributions and a change to the Limited Protected Territory. Neither party is obligated to perform their respective pre-opening obligations. We will not charge an Initial Franchise Fee.

(vii) You will pay us a Transfer Fee set forth in Subsection 3.1(e).

(viii) The transferee must assume your obligations under the lease of the Premises or sign a new lease with the landlord.

(ix) You and your members/shareholders, and your directors and officers/managers must sign a General Release, in the form attached as Exhibit N to the FDD, of any claims against us and our subsidiaries and Affiliates, and their respective officers, directors, agents and employees.

(x) At the transferee's expense, the transferee or a Designated Representative and transferee's General Manager and assistant managers (unless the General Manager and assistant managers have been previously approved and trained by us) must complete the Initial Training then in effect for new Franchisees upon all terms that we reasonably require.

(xi) The buyer must spend at least $6,000 for an "Under New Management" advertising program.

You understand that, if you make a transfer pursuant to this subsection, you remain personally liable for all the monetary and non-monetary obligations under this Agreement arising before the transfer. Further, you understand that such a transfer does not release any guaranty previously signed.

(c) **Permitted Assignment to Affiliated Business Entity**. You may assign this Agreement to a Business Entity in which you own all of the equity or financial rights and the controlling governance or voting interests if:

(i) You, your Designated Representative or a General Manager we approve actively manages the Business Entity and continues to devote his or her best efforts and full and exclusive time to the day-to-day operation of your Gus's Restaurant. You must advise us of the name of the General Manager and the General Manager must meet our standards, including training;

(ii) The Business Entity does not use the trade name "Gus's World Famous Fried Chicken" in any derivative or form in the name of the Business Entity;

(iii) The board of directors (management committee) and shareholders (members) of the Business Entity approve the assumption of this Agreement, authorize an officer or manager to sign a joinder agreement or assumption of this Agreement, and appoint a Designated Representative;

(iv) An authorized officer (manager) of the Business Entity signs a document in a form we approve, agreeing to become a party bound by all the provisions of this Agreement;

(v) All certificates representing equity interests bear a legend that they are subject to this Agreement;

(vi) You pay us the Transfer Fee of $500;

(vii) Any guarantor of the obligations of the Agreement must consent to the transfer or assignment and reaffirm his or its obligations as a guarantor; and

(viii) You agree that upon request, you will do such further acts and deeds, and will execute, acknowledge, deliver and record such other documents and instruments, as may be reasonably necessary from time to time to evidence, confirm or carry out the intent and purposes of this Subsection.

You understand that, if you transfer this Agreement to your Business Entity, you remain personally liable for all the monetary and non-monetary obligations under this Agreement arising before or after the transfer through the end of the Initial Term and any Renewal Term. Further, you understand that such a transfer does not release any guaranty previously signed.

(d) **Disapproval of Transfer**. Our disapproval of any transferee for failure to satisfy the transfer conditions described in this Section, or of any other condition to transfer stated in this Agreement, does not cause us any liability to you or the transferee. Our consent to a transfer is not a waiver of any claims we may have against you. Our consent to a transfer is not a waiver of our right to demand the transferee's exact compliance with this Agreement. No transfer we approve relieves you of liability for your conduct before the transfer, including conduct in breach of this Agreement, however, you are relieved of all liability for your transferee's conduct after a permitted transfer. You remain obligated to comply with those provisions that expressly survive an expiration or termination of this Agreement including the obligations of indemnification, confidentiality and non-competition.

(e) **Transfer Without Our Consent**. Any attempted Prohibited Transfer by you without our express prior written consent or otherwise not in compliance with the terms of this Agreement is void, your interest in this Agreement will be deemed voluntarily abandoned, and such attempted transfer gives us the right to elect either to deem you in non-curable default and terminate this Agreement or to collect from you and the Guarantors a transfer fee equal to 2 times the Transfer Fee provided for in Subsection 3.1(e).

(f) **"For Sale" Restrictions**. You will not permit to be placed upon the Premises a "Business for Sale" or "For Sale" sign, or any sign of a similar nature or purpose, nor in any manner use the Intellectual Property to advertise the sale of your Gus's Restaurant or the sale or lease of the Premises. These prohibitions apply to any activities under a listing agreement that you may enter into with a real estate or business broker.

SECTION 10.3 TRANSFER UPON DIVORCE OR BUSINESS ENTITY DISSOLUTION

If this Agreement is in the name of 2 persons who are married or 2 or more persons who are owners of a Business Entity, this Section describes the policies to be applied upon a divorce or a dissolution of the Business Entity. During the period when a divorce or a dissolution action is pending, you must give us written notice and adopt one of the following methods of operation:

(a) **Relinquishment of Interest**. If a party relinquishes his or her right and interest in the Gus's Restaurant or the entity which operates the Gus's Restaurant, and the other spouse or owner will continue to operate the Gus's Restaurant or the entity which operates the Gus's Restaurant, he or she must assign the interest to the other spouse or owner if the other spouse or owner has successfully completed Initial Training. This does not relieve that person relinquishing his or her interest of his or her personal obligations under this Agreement, including indemnification, confidentiality, noncompetition, or any guaranty.

(b) **Joint Cooperation**. If the parties to a divorce or dissolution action agree that, despite their difficulties, they can continue to operate the Gus's Restaurant jointly on a "business-as-usual" basis during the proceeding, they may do so.

(c) **Third Party General Manager**. If the parties in a divorce action or dissolution do not agree to operate under alternates (a) or (b), they must arrange to have a third-party act as General Manager pursuant to the terms set forth in Subsection 4.5(d) and operate the Gus's Restaurant until the divorce or dissolution is completed.

(d) **Final Order or Judgment**. After a final order or judgment, the divorcing parties may continue to operate the Gus's Restaurant. In this case, however, each person must enter a formal agreement defining their respective rights and obligations, file a signed copy with us, assign this

Agreement to a new Business Entity in accordance with Article 10, if applicable, appoint a Designated Representative and comply with all other requirements for operating the Gus's Restaurant.

SECTION 10.4 DEATH OR DISABILITY OF FRANCHISE OWNER

(a) **Death**. Within 180 days of the death of any Franchise Owner which causes a Prohibited Transfer to occur, the authorized representative(s) of the decedent Franchise Owner will transfer the deceased Franchise Owner's interest in the Franchisee or the entity which owns the Franchisee or all of the assets of the Franchisee to another party subject to Subsection 10.2(b). Within 30 days of the death of any Franchise Owner which causes a Prohibited Transfer to occur, the authorized representative(s) of the decedent will, if required by us, provide and maintain a replacement Designated Representative and/or General Manager satisfactory to us. If the authorized representative(s) fails to provide and maintain a replacement Designated Representative and/or General Manager satisfactory to us, we may hire and maintain the replacement General Manager in accordance with Section 2.16.

(b) **Disability**. If any Franchise Owner becomes Disabled and such Disabled Franchise Owner owns 50% or more of the equity or financial rights or the controlling governance or voting interests of the Franchisee, or an equity owner of Franchisee who or that directly or indirectly, through one or more intermediaries, owns and/or controls 50% or more of the equity or financial rights or the controlling governance or voting interests of the Franchisee, the Disabled Franchisee Owner or his/her authorized representative(s) will transfer the Disabled Franchise Owner's interest in the Franchisee or the entity which owns the Franchisee or all of the assets of the Franchisee to a another party subject to Subsection 10.2(b).

SECTION 10.5 OUR RIGHT OF FIRST REFUSAL

(a) **Notice of Offer**. If you are a Business Entity and the Franchise Owners receive an offer from a third party to purchase 50% or more of the equity or financial rights or the controlling governance or voting interests (the "Interests") of the Franchisee or an equity owner of Franchisee who or that directly or indirectly, through one or more intermediaries, owns and/or controls 50% or more of the equity or financial rights or the controlling governance or voting interests of the Franchisee (an "Interest Offer") or you are not a Business Entity and you receive an offer from a third party to purchase, outside the ordinary course of business, any or all of the assets (the "Assets") of your Gus's Restaurant (an "Asset Offer"), then you must ensure that the person receiving the Interest Offer, or upon your receiving the Asset Offer (and in either case, the person receiving the third party's offer is referred to as the "Offeree" and the party making or extending the third party offer is referred to as the "Offeror") understands that, if the Offeree desires to accept the Interest Offer or Asset Offer, the Offeree must first offer to sell to us the subject interest or assets for the consideration and on the terms set forth in the Interest Offer or Asset Offer (the "Offer"). The Offeree must give us written notice that includes the name, street address, telephone number and e-mail address of the Offeror. The offer to the us will not be considered properly extended unless and until such time as it includes, at a minimum, a fully signed copy of the entire proposed sale and purchase agreement or letter of intent between the Offeree and the proposed buyer containing the purchase price, any lease terms, a description of all assets and liabilities to be acquired and obligations assumed, as well as a financial package consisting of: (i) the Franchisee's most recent year-to-date financial summary; (ii) the Franchisee's previous 3 years' financial statements; (iii) a copy of any and all financial commitments being transferred (for example, equipment loans, lease agreements, promissory notes, mortgages, etc.); and (iv) any other information that we request in order to evaluate the Offer. We have the right of first refusal to purchase the Interest or the Assets, by accepting the Offer, within 30 days after our receipt of the Offer and required information.

(b) **Acceptance of Offer**. If we give notice of acceptance of the Offer, then the Offeree will sell and we will purchase the Interest or the Assets in accordance with the terms of the purchase agreement. However, if the seller was obligated to pay a broker's commission on the sale to the third party, which brokerage commission is not due if we exercise our right of first refusal, the purchase price will be reduced by the amount of the brokerage commission that would have been paid. Our creditworthiness is deemed at least equal to the creditworthiness of the proposed purchaser.

(c) **Unique Consideration**. If the purchase agreement provides for the purchaser's full or partial payment including consideration that is of a nature that we cannot reasonably duplicate (the "Unique Consideration"), we may substitute cash, cash like assets or stock (of a public company with registered shares) in lieu of the Unique Consideration. The parties will agree on the value of the Unique Consideration within 30 days after we received the purchase agreement and other information. If the parties cannot agree on the fair market value of the Unique Consideration, an independent appraiser the parties select will determine its fair market value. If the parties are unable to agree on an independent appraiser within 10 days, the parties will each select an independent appraiser, and the appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value of the Unique Consideration. If either party fails to select an appraiser and give notice to the other of the identity of the appraiser within the 10-day period, the appraiser selected by the other party will select the Third Appraiser. The parties will pay the Third Appraiser's costs equally.

(d) **Other Assets**. If the proposed sale includes assets that are not part of the operation of the Gus's Restaurant, we may elect to purchase only the assets that comprise the Franchise Business and the parties will determine an equitable purchase price. If the parties cannot agree and allocate the purchase price to each asset included in the sale, the value will be determined by the appraisal process described in Subsection 10.5(c).

(e) **Representations and Warranties**. We will purchase the Interest or Assets subject to all customary representations and warranties given by a seller of stock or assets. These representations and warranties include warranties as to ownership, condition and title to the Interest and/or Assets, absence of liens and encumbrances on the Interest and/or Assets, validity of contracts and the extent and natures of any liabilities of the Business Entity relating to the Interest or Assets purchased.

(f) **Closing**. Unless otherwise agreed to by the Offeree and us, the closing of the purchase of the Interest or the Assets will take place at our principal office no later than 60 days after you delivered the purchase agreement and other documents to us. The closing of any purchase where Unique Consideration is determined in accordance with Subsection 10.5(c) will occur within 15 days after the value of the Unique Consideration is determined. At any closing, the Offeree must deliver to us an assignment and other documents we request representing a transfer of ownership of the Interest or the Assets free of all liens, claims, pledges, options, restrictions, charges and encumbrances, in proper form for transfer and with evidence of payment by the Offeree of all applicable transfer taxes. We will simultaneously make payment of any cash consideration for the Interest or Assets by a cashier's check drawn on a financial institution or payment by the issuance of the shares less any amounts you then owe us, if any.

(g) **Waiver of Right**. If we do not accept the Offer, the Offeree is free, within the next 60 days after we have elected not to exercise our option, to sell the Interest or the Assets to the independent third party for the consideration and upon the terms specified in the Offer, subject to full compliance with all the terms of transfer required under this Agreement including those stated in Section 10.2. Before any sale of the Interest to a third party, the third party must deliver to us a written acknowledgment that the Interest purchased is subject to the terms of this Agreement and that the third party agrees to be bound to the terms of this Section on transferring the Interest, in the same manner as the Offeree. If the Offeree does not sell the Interest or the Assets within the 60-day period, then any later transfer by the Offeree of the Interest or the Assets is again subject to the restrictions stated in this Agreement.

(h) **Exceptions to Right**. If a proposed transferee is a Business Entity wholly owned by the Offeree or to the Offeree's spouse or child of the Offeree, we will not have any right of first refusal. All transferees are subject to all of the restrictions on transfer of ownership imposed on the Offeree under this Agreement.

ARTICLE 11 - DEFAULT AND TERMINATION

SECTION 11.1 TERMINATION BY YOU - AFTER NOTICE AND RIGHT TO CURE

If you have substantially complied with this Agreement and we materially breach this Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days, or within a longer period if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate this Agreement. You may also terminate this Agreement upon the mutual written agreement with us. Any termination of this Agreement by you other than as stated above is a wrongful termination by you. Your termination of this Agreement under this Section does not release or modify your obligations under ARTICLES 5, 6, 12, 13 and any other provision of or obligation under the terms of this Agreement that is intended to survive termination.

SECTION 11.2 TERMINATION BY US - WITHOUT NOTICE

(a) **Automatic Termination**. Subject to applicable law, this Agreement will automatically terminate immediately without notice to you or giving you an opportunity to cure on the date that any of the following Events of Default occurs:

(i) You damage our Business System through violation of federal, state or local environmental laws;

(ii) You make a general assignment for the benefit of creditors;

(iii) You file a petition in bankruptcy, a petition for involuntary bankruptcy is filed against you, you consent to the petition, or the petition is not dismissed within 45 days;

(iv) You are adjudicated as bankrupt, a bill in equity or other proceeding for the appointment of a receiver or other custodian for your Gus's Restaurant or its assets is filed, and you consent to it;

(v) A court appoints a receiver or other custodian (permanent or temporary) of your Gus's Restaurant or its assets, or proceedings for a composition with creditors under federal or any state law is commenced by or against you;

(vi) A final judgment in excess of $25,000 remains unsatisfied for 30 days or longer (unless you file a supersedeas bond); or

(vii) Execution is levied against the assets of your Gus's Restaurant, or suit to foreclose any lien or mortgage against the assets of your Gus's Restaurant is filed against you and is not dismissed within 45 days.

(b) **Notice to Us**. You will notify us within 3 days of the occurrence of any of the events described in Subsection 11.2(a).

SECTION 11.3 TERMINATION BY US - AFTER NOTICE

We may terminate all rights granted to you under this Agreement, without affording you any opportunity to cure the default, effective immediately upon notice to you, if any of the following Events of Default occur:

(a) **Cessation**. You abandon the Gus's Restaurant, or you lose the right of possession of the Premises after the expiration of all redemption periods and you have not satisfied the provisions of Section 1.4, if applicable.

(b) **Forfeiture**. You forfeit the right to do or transact business in the jurisdiction where your Gus's Restaurant is located.

(c) **Health or Safety Violations.** On more than two occasions during any 2-month period, you operate the Franchise Unit in a manner that poses a material threat or danger to public health or safety.

(d) **Conviction**. You, your Designated Representative or the General Manager, or any officer, director, or Franchise Owner, are convicted of a felony, a crime of moral turpitude or any other crime or offense that we reasonably believe is likely to have a material adverse effect on the Business System, the Intellectual Property, the goodwill associated with the Intellectual Property, or our interest in any of the Intellectual Property, unless you immediately and legally terminate that individual's relationship with you.

(e) **Denial of Inspection**. You deny us the right to inspect your Gus's Restaurant or to audit your records.

(f) **Moral Turpitude**. You engage in conduct that we determine is deleterious to or reflects unfavorably on you, the Gus's Restaurant or the Business System in that the conduct exhibits a disregard for the physical or mental well-being of employees, customers, our representatives or the public at large, including, but in no manner limited to, battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior.

(g) **Prohibited Transfer**. You attempt a Prohibited Transfer without our express prior written consent.

(h) **Breach of Personal Covenants**. Any breach occurs under Sections 6.2 or 13.1 concerning confidentiality and/or non-competition covenants.

(i) **Falsehoods**. You knowingly maintain false records or knowingly submit any false reports to us.

(j) **Infringement**. You misuse or make any unauthorized use of the Intellectual Property or otherwise materially impair the goodwill associated with the Intellectual Property or our rights in the Intellectual Property.

(k) **Guarantor's Financial Condition**. There is a material adverse change in the financial condition of a Guarantor, which means Guarantor has a net worth less than $500,000, excluding the equity and/or value of Guarantor's primary residence.

(l) **Breach**. Any breach occurs under Sections 10.4.

(m) **Judgment**. You fail to satisfy any judgment against the Franchisee within 30 days after the judgment is entered and becomes final.

SECTION 11.4 TERMINATION BY US - AFTER NOTICE AND RIGHT TO CURE

(a) **Monetary Defaults**. With respect to monetary defaults, you have 10 days after delivery from us of a written Notice of Default specifying the amount due to pay us the full amount due plus interest, late charges and our attorneys' fees. Failure to remedy any monetary default within 10 days of receipt of Notice of Default will be an Event of Default giving us the right to terminate this Agreement immediately.

(b) **Health and Safety Violations**. You violate any health or safety law, ordinance or regulation, and you do not correct the violation within 3 days after receipt of written notice from us or a governmental authority. If you fail to cure any default within 3 days after receipt of written notice from us or a governmental authority or if the default or correction is of a nature that requires more than 3 days and we extend the period to cure, and you fail to diligently pursue such correction as soon as reasonably possible, we have the right to terminate this Agreement.

(c) **Other Non-Monetary Defaults.** With respect to non-monetary defaults, except as otherwise provided in Sections 11.2 and 11.3, you have 30 days from the date of the initial written notice of default from us specifying the nature of the default to remedy any default and provide evidence of cure satisfactory to us. If you fail to cure any default within that time or if the default or correction is of a nature that requires more than 30 days and we extend the period to cure, and you fail to diligently pursue such correction as soon as reasonably possible, we have the right to terminate this Agreement.

(d) **Cessation of Services**. During a cure period, we reserve the right to refuse to provide services or products to you without our being in default of this Agreement.

(e) **Burden of Proof**. You have the burden of proving that you properly and timely cured any default, to the extent we permit a cure under this Agreement.

ARTICLE 12 - YOUR OBLIGATIONS UPON TERMINATION OR NONRENEWAL

Upon our termination of this Agreement or upon the expiration and nonrenewal of the Agreement, the Sections of this ARTICLE apply to the parties' rights and obligations.

SECTION 12.1 CEASE OPERATION OF THE GUS'S RESTAURANT

You will immediately cease operating the Gus's Restaurant. You will not, directly or indirectly, use any of the Intellectual Property. You will not represent yourself as a present or former Franchisee of us or in any other way affiliate yourself with the Intellectual Property or use the Business System. You will immediately cease using all stationery, signage and other materials containing the Intellectual Property. You will also immediately cease using all telephone numbers for the Gus's Restaurant. You authorize us to take whatever actions are necessary to comply with this Section and in accordance with the Telephone Number and Directory Advertising and Assignment Agreement, the form of which is included as Exhibit J to the FDD. You must cease using our Website. You must cease using any URL and Internet addresses used for your Gus's Restaurant that we do not own and immediately transfer to us the URL and Internet addresses.

SECTION 12.2 PAYMENT OF OUTSTANDING AMOUNTS

We will retain all fees paid under this Agreement, except for refunds expressly required in this Agreement. You must pay to us all unpaid Royalty Fees, Advertising Contributions, amounts owed for products or services you purchased from us, and all other amounts owed to us within 10 days after the effective date of the termination, or any later dates as we determine that amounts are due to us. You must also pay all Affiliates, Designated Suppliers, Approved Suppliers and other creditors the amounts you owe to them.

SECTION 12.3 DISCONTINUANCE OF USE OF TRADE NAME

You must immediately cancel any fictitious, trade or assumed name registration that contains our trademark, trade name or service mark or colorable imitation of our trademark, trade name or service mark. You will furnish us with evidence of compliance with this obligation within 30 days after our termination or the expiration of this Agreement. If you fail to cancel, you appoint us as your attorney-in-fact to do so.

SECTION 12.4 OUR OPTION TO PURCHASE CERTAIN ASSETS USED IN YOUR GUS'S RESTAURANT

(a) **Option to Purchase**. We have the option to purchase from you all the assets used in your Franchise Business by giving you written notice within 30 days from the date of termination, whether at the end of any term (that is not renewed) or due to your default. As used in this Section, "assets" means all equipment, vehicles, furnishings, fixtures, signs, inventory (non-perishable products, materials and supplies), leasehold improvements, beer license and the lease for the Premises. We have the unrestricted right to assign this option to purchase. We are entitled to all customary warranties given by a seller of a business, including: (i) ownership, condition and title to the assets; (ii) the absence of liens and encumbrances on the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the assets of your Franchise Unit is their fair market value, determined as of the effective date of purchase, in a manner consistent with reasonable depreciation of your leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and other depreciable assets of your Gus's Restaurant. The purchase price will take into account the termination of the Franchise granted under this Agreement and will not contain any factor or increment for any trademark, service mark or other commercial symbol used in the operation of your Gus's Restaurant.

(b) **Fair Market Value**. The parties will agree on the fair market value within 30 days after your receipt of our notice exercising our option. Absent agreement, within 10 days thereafter, the parties will select an independent appraiser to determine the fair market value. If the parties are unable to agree on the appraiser, the parties will each select an appraiser, and the 2 appraisers will select a third independent appraiser (the "Third Appraiser"). The Third Appraiser will determine the fair market value. If either party fails to select timely an appraiser, the appraiser selected by the other party will select the Third Appraiser. You will give the Third Appraiser full access to your Gus's Restaurant, the Premises and your records during normal business hours to conduct the appraisal. The parties will pay the Third Appraiser's costs equally.

(c) **Closing**. We will pay the purchase price in cash at the closing of the purchase. The closing will take place within 90 days after your receipt of our notice of exercise. At the closing, you will deliver instruments transferring to us good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests assumable and acceptable to us) with all transfer taxes paid. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be in escrow. The parties will comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state where your Gus's Restaurant is located, if any, and the bulk sales provisions of any applicable tax laws and regulations. You will pay all tax liabilities incurred in the operation of your Gus's Restaurant before or at the closing of the purchase. We have the right to set off against and reduce the purchase price by all amounts you owe to us, and the amount of any encumbrances or liens against the assets or any obligations we assume.

(d) **Interim Management**. If we exercise the option to purchase, pending the closing of the purchase, we have the right to appoint a General Manager to maintain the operation of your Gus's Restaurant under Section 2.16. Alternatively, we may require you to close your Gus's Restaurant until the closing without removing any assets if the landlord consents. You will maintain in force all insurance policies required in this Agreement until the date of closing.

(e) **Lease**. If you lease the Premises, we agree to use reasonable efforts to either assume the lease, or effect a termination of the lease and enter into a new lease. If we assume your lease, we will indemnify you from any ongoing liability under the lease that occurs after the date we assume possession of the Premises. If you own the Premises, upon purchase of the assets, you will enter into a new lease with us. The lease will be on terms comparable for similarly leased commercial properties in the area for a term of at least 10 years and for a rental equal to the fair market rental value of the Premises. The appraiser (selected in the manner described above) will determine the rental value, if the parties cannot agree on the fair market rental value of the Premises.

SECTION 12.5 DISTINGUISHING OPERATIONS

(a) **Non-Competitive Business.** If we do not exercise our option under Section 12.4 and you desire to remain in possession of the Premises, you may only operate a business that does not violate your covenant not to compete. You must make all modifications to the Premises immediately upon termination of this Agreement as necessary to distinguish the appearance of the Premises from that of other Gus's Restaurants.

(b) **De-Identification**. You must immediately remove all identifying architectural superstructure and signage on, about or in the Premises bearing the name or logos of Gus's (or any name or logo similar to Gus's), in the manner we specify. You will hold all property belonging to us for delivery to us, at our expense, upon request. If you are unable to remove any signage within 1 Business Day of the termination or expiration of this Agreement you must completely cover the signage until the time of its removal. If you fail or refuse to comply with this obligation, we have the right to enter the Premises, without being guilty of trespass or any other tort, for the purpose of removing the signage and storing them at another location, at your reasonable expense (for signage not owned by us) payable by you on demand.

(c) **Notice to Customers**. Until you complete all modifications and alterations required by this Section, you must maintain a conspicuous sign at the Premises in a form we specify stating that your business is no longer associated with our Business System. You also must advise all customers or prospective customers calling your new telephone number that your new business is no longer associated with our Business System.

(d) **Our Entry Right**. If you fail or refuse to comply with the requirements of this Section, we have the right to enter upon the Premises to make all changes as may be required at your expense and at your sole risk. We have no responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act. You agree that your failure to make these alterations will cause us irreparable injury.

SECTION 12.6 UNFAIR COMPETITION

You agree, if you continue to operate or later begin to operate any other business, you will not engage in any unfair competition as that term has been interpreted under 15 U.S.C. § 1125(a), commonly known as Section 43(a) of the Lanham Act or under Tennessee law including trademark infringement, passing off, false advertising, misappropriation and unfair competition. This Section does not relieve, directly or indirectly, your obligations under Article 13.

SECTION 12.7 RETURN OF MATERIALS

You will immediately deliver to us all Confidential Information including the Operations and Policies Manual in your possession or control, and all copies and any other forms of reproductions of these materials. You agree that all these materials are our exclusive property.

SECTION 12.8 OUR PURCHASE RIGHTS OF ITEMS BEARING INTELLECTUAL PROPERTY

Even if we do not exercise our option under Section 12.4, we have the option (but not the obligation), upon notice to you within 30 days after termination or expiration, to purchase any assets used in the Gus's Restaurant bearing the Intellectual Property. This includes signs, advertising materials, supplies, inventory or other items at a price equal to the lesser of your cost or fair market value (less a 20% restocking charge). If the parties fail to agree on fair market value, the parties will use the same appraisal process described in Subsection 12.4(b). If we elect to exercise our option to purchase, we will have the right to set off all amounts due from you under this Agreement and ½ the cost of the Third Appraisal, if any, against any payment to you. If you fail to sign and deliver to us the necessary documents to transfer good title to these assets, we are entitled to apply to any court of competent jurisdiction for a mandatory injunction and specific performance to compel you to comply with our rights granted in this Agreement. You will pay to us all of the expenses, including our reasonable attorneys' fees, relating to our exercise of this option or we will credit these expenses against the purchase price.

SECTION 12.9 LIQUIDATED DAMAGES FOR PREMATURE TERMINATION

If we terminate this Agreement due to your default or you terminate this Agreement without cause, you will pay us a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fees for: (i) the 36 calendar months of operation of your Gus's Restaurant preceding the termination; (ii) the period of time your Gus's Restaurant has been in operation preceding the termination, if fewer than 36 calendar months, projected on a 36-calendar-month basis; or (iii) any shorter period that equals the unexpired period of the Initial Term. The parties agree that a precise calculation of the full extent of the damages that we will incur on termination of this Agreement as a result of your default is difficult to calculate and the parties desire certainty in this matter. The parties agree that the lump sum payment is reasonable in light of the damages for premature termination that we will incur in this event. You are also liable for pre-judgment and post-judgment interest and our attorneys' fees and costs. Other than a claim for monetary damages or lost profits, this payment is not exclusive of any other remedies that we have including a right to injunctive relief. This payment does not relieve you from your obligations that survive the termination or expiration of this Agreement including the obligations of indemnification, confidentiality and non-competition.

ARTICLE 13 - YOUR INDEPENDENT COVENANTS

SECTION 13.1 DIVERSION OF BUSINESS; COMPETITION AND INTERFERENCE WITH US.

(a) **Covenant Not to Compete.** You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the Franchisees if we permit Franchisees to hold interests in any Competitive Business.

(i) **In-Term**. You covenant that during the Initial Term or any renewal thereof, except as we otherwise approve in writing, you will not directly or indirectly:

A. Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

B. Be involved with a Competitive Business as owner, officer, director, employee, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this restriction will not apply to a 5% or less beneficial interest in a publicly-held corporation); or

C. Interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any of our Franchisees.

(ii) **Post-Term**. You also covenant that, for 24 months after the termination of this Agreement due to your default, for 24 months after the expiration and non-renewal of this Agreement, or for 24 months after you transfer your Gus's Restaurant, except as we otherwise approve in writing, you and your officers, agents, servants, employees, and all others in active concert or participation with you, will not, directly or indirectly:

A. Solicit, or otherwise attempt to induce by combining or conspiring with another person, or attempting to do so, or in any other manner influence any Business Associate to terminate or modify his, her or its existing or prospective business relationship with us or to compete against us;

B Be involved with a Competitive Business as owner, officer, director, employee, agent, lender, landlord, broker, consultant, franchisee or any other capacity (this restriction will not apply to a 5% or less beneficial interest in a publicly-held corporation) having a location within 10 miles of the Premises or within 10 miles of any Franchised Unit or Company-Owned Unit then in operation or under contract; or

C. Interfere with, disturb, disrupt, harm or attempt to diminish any relationships, agreements or understandings, written or oral, decrease or otherwise jeopardize our business or the business of any of our Franchisees or any other Gus's locations, customers, shareholders, suppliers, vendors, lenders or creditors including, ceasing doing business with, or diminish his, her or its relationship with us or our Franchisees.

(b) **Liquidated Damages**. In addition to our right to seek injunctive relief, if you compete with us directly or indirectly, including conspiring with a family member or third party in violation this Section, we have the right to require that you report to us all sales made by the Competitive Business. You will also pay to us, on demand, a weekly fee of $1,000 without the fee deemed to have revived or modified this Agreement. These payments are liquidated damages to compensate us for our damages from your violation of the covenant not to compete and are not a penalty.

(c) **Reasonableness of Covenant.** You agree that the length of the term and geographical restrictions contained in this Section are fair and reasonable and are not the result of overreaching, duress or coercion of any kind. You agree that your full, uninhibited and faithful observance of each of the covenants in this Section will not cause you any undue hardship, financial or otherwise. The enforcement of each of the covenants in this Section 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 yourself and your family, and the satisfaction of your creditors. You agree that your special knowledge of the business operated by a Gus's Restaurants (and anyone acquiring this knowledge through you) would cause us and our Franchisees serious injury and loss if you (or anyone acquiring this knowledge through you) were to use this knowledge to the benefit of a competitor or were to compete with us or any of our Franchisees.

(d) **Tolling.** You agree that the 24-month period will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement.

(e) **Court Modification**. If any court rules that the time, territory, scope or any other provision in this Section is an unreasonable restriction upon you, you agree that these provisions are not rendered void, but apply as to time, territory, scope or to any other extent that the court determines or indicates are reasonable restrictions under the circumstances involved.

SECTION 13.2 INDEPENDENT COVENANTS; THIRD PARTY BENEFICIARIES

(a) **Independent Covenants**. The parties agree that the covenants in this Article are independent of any other provision of this Agreement. You agree that the existence of any claim you may have against any Affiliate or us under this Agreement or otherwise, is not a defense to our enforcement of these covenants.

(b) **Third Party Beneficiaries**. The parties agree that all other Franchisees are third party beneficiaries of the terms of Section 13.1. A Franchisee has the right to enforce these covenants at its expense without our joinder or participation, if we are unwilling or unable to enforce these covenants, but without any liability to the Franchisee on our part.

ARTICLE 14 - INDEPENDENT CONTRACTOR AND INDEMNIFICATION

SECTION 14.1 INDEPENDENT STATUS

You are an independent contractor. Nothing in this Agreement is intended to designate either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, affiliate or servant of the other party for any purpose, unless expressly provided in this Agreement to the contrary. The parties agree that nothing in this Agreement authorizes either party to make any agreement, warranty or representation on behalf of the other party, nor to incur any debt or other obligation in the other party's name. You will take all affirmative action we request to indicate that you are an independent contractor, including placing and maintaining a plaque in a conspicuous place within the Premises and a notice on all stationery, business cards, sales literature, contracts and similar documents that states that your Gus's Restaurant is independently owned and operated by you. The content of any plaque and notice is subject to our written approval.

SECTION 14.2 INDEMNIFICATION

(a) **Our Indemnification**. You are responsible for all losses or damages from contractual liabilities to third persons from the possession, ownership and operation of your Gus's Restaurant and for all claims for damages to property or for injury, illness or death of persons directly or indirectly resulting from your or your employees' and agents' action or inaction. You agree to indemnify, defend and hold us harmless from all costs, losses and damages (including reasonable attorneys' fees and costs, even if incident to appellate, post-judgment or bankruptcy proceedings) from claims brought by third parties involving your ownership and/or operation of your Gus's Restaurant, unless caused by our negligence or intentional misconduct. This indemnity obligation continues in full effect after the expiration, transfer or termination of this Agreement. We will notify you of any claims. You have the opportunity to assume the defense of the matter. If you fail to assume the defense, we may defend the action using our own counsel in any manner we deem appropriate. You will pay to us all costs, including attorneys' fees that we incur in effecting the defense, in addition to any sum that we may pay by any settlement or judgment against us. Our right to indemnity under this Agreement arises and is valid regardless of any joint or concurrent liability imposed on us by statute, ordinance, regulation or other law.

(b) **Your Indemnification**. We fully protect, indemnify and defend you and your affiliates and hold you and them harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our Company-Owned Gus's Restaurants (regardless of cause or any concurrent or contributing fault or negligence of you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

ARTICLE 15 - REPRESENTATIONS AND WARRANTIES

SECTION 15.1 OUR REPRESENTATIONS

We make the following representations and warranties to you that are true and correct upon the signing of this Agreement:

(a) **Organization**. We are a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) **Authorization**. We have the company power to sign, deliver, and carry out the terms of this Agreement. We have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by us and is our valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation**. Our performance of our obligations under this Agreement will not result in: (i) the breach of any term of any contract or agreement to which we are a party to or that we are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by us of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

SECTION 15.2 YOUR REPRESENTATIONS

You make the following representations and warranties to us that are true and correct upon signing this Agreement and throughout the Initial Term:

(a) **Organization**. You are a Business Entity duly organized, validly existing and in good standing under the laws of your state of formation.

(b) **Authorization**. You have the power to sign, deliver, and carry out this Agreement. You have taken all necessary action for proper authorization. This Agreement has been duly authorized, signed and delivered by you and is your valid, legal and binding agreement and obligation in accordance with this Agreement, except as may be limited by applicable bankruptcy, insolvency, reorganization and other laws and equitable principles affecting creditors' rights generally.

(c) **No Violation**. The performance by you of your obligations under this Agreement will not result in: (i) the breach of any term of, or be a default under, any term of any contract, agreement or other commitment to which you are a party to or you are bound by, or be an event that, with notice, lapse of time or both, would result in a breach or event of default; or (ii) the violation by you of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

(d) **No Speculative Intent**. You are not obtaining the Gus's Restaurant for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer any part of this Agreement or the assets comprising the Gus's Restaurant.

(e) **True Copies**. Copies of all documents you furnished to us are correct copies of the documents, including all amendments or modifications, and contain no misleading or incorrect statements or material omissions.

SECTION 15.3 RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT

You acknowledge you have received from us our Franchise Disclosure Document for the state of your residence and where your Gus's Restaurant will be located containing all exhibits to the Franchise Disclosure Document at least 14 days before: (a) you signed this Agreement and any other agreement with us imposing a binding obligation on you; and (b) you paid any consideration to us for the sale or proposed sale of a Franchise.

SECTION 15.4 RECEIPT OF COMPLETED FRANCHISE AGREEMENT

You also acknowledge that you have received from us a completed copy of this Agreement and all related agreements, containing all material terms, (except for the date, signatures and any minor matters not material to the agreements) with all blanks filled in, at least 7 days before you signed this Agreement.

SECTION 15.5 ACKNOWLEDGMENT OF RISK

You agree to the following:

(A) YOUR SUCCESS IN OWNING AND OPERATING YOUR RESTAURANT DEPENDS ON MANY FACTORS INCLUDING YOUR INDEPENDENT BUSINESS ABILITY. NO REPRESENTATIONS OR PROMISES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY US OR ANY OF OUR EMPLOYEES, BROKERS OR REPRESENTATIVES, TO INDUCE YOU

TO ENTER INTO THIS AGREEMENT EXCEPT AS INCLUDED IN THIS AGREEMENT. WE DO NOT AUTHORIZE ANY OFFICER, DIRECTOR, EMPLOYEE, BROKER OR OTHER REPRESENTATIVE TO DO OTHERWISE.

(B) YOU AGREE THAT, IN ALL OF YOUR DEALINGS WITH US, OUR OFFICERS, DIRECTORS, EMPLOYEES, BROKERS (IF ANY) AND OTHER REPRESENTATIVES, ARE ACTING ONLY IN A REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. YOU AGREE THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN YOU AND ANY INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE ONLY BETWEEN YOU AND US AND NOT THE INDIVIDUALS.

(C) IN ADDITION, WE MAKE NO WARRANTY AS TO YOUR ABILITY TO OPERATE THE RESTAURANT IN THE JURISDICTION WHERE YOU INTEND TO OPERATE YOUR RESTAURANT. IT IS YOUR OBLIGATION TO SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF A GOVERNMENTAL BODY ENACTS ANY LEGISLATION OR REGULATION THAT PREVENTS YOU FROM OPERATING YOUR RESTAURANT, WE ARE NOT LIABLE TO YOU FOR ANY DAMAGES. WE DO NOT HAVE TO INDEMNIFY YOU OR RETURN TO YOU ANY MONIES WE RECEIVED FROM YOU.

ARTICLE 16 - TERM

SECTION 16.1 INITIAL TERM

The Initial Term of this Agreement is 15 years from the Agreement Date, unless sooner terminated under Article 11. The conditions to obtain a Renewal Franchise Agreement at the expiration of this Agreement are those stated in Section 16.2.

SECTION 16.2 OPTION TO RENEW FRANCHISE RELATIONSHIP

(a) **Evergreen Renewal**. We grant you unlimited options to renew the franchise relationship for a term of 10 years each. You must satisfy all of the following conditions before the expiration of this Agreement, unless we specified another time below.

(i) You must give us written notice of your intention to exercise the option at least 6 months before but not more than 12 months before the end of the Initial Term.

(ii) You cannot be in default of any provision of this Agreement or any other agreement between you and us or our Affiliates at the time of renewal.

(iii) Within 30 days before the end of the Initial Term, you must sign and deliver to us a Renewal Franchise Agreement. The Renewal Franchise Agreement may have material business terms different from the terms of this Agreement and possibly a modification to the Limited Protected Territory. We are not obligated to provide any initial or other pre-opening obligations and you are not obligated to perform any pre-opening duties contained in the Renewal Franchise Agreement that apply only to new franchisees. You must also sign all other agreements ancillary to the Renewal Franchise Agreement.

(iv) You will not pay another Initial Franchise Fee but you will pay to us the Renewal Fee in the amount set forth in Subsection 3.1(f).

(v) You and your shareholders (members), and your directors and officers (managers) must sign a general release, in the form attached as Exhibit N to the FDD, releasing any claims you may have against us and/or our subsidiaries and Affiliates, and their respective officers, directors, agents and employees.

(vi) You must be entitled to continue to occupy the Premises for the entire Renewal Term including renewal rights or obtain our approval of a new location for the Gus's Restaurant within the Limited Protected Territory, but not within the Limited Protected Territory of a Company-Owned Outlet or Franchised Outlet, in accordance with our relocation procedures stated in Section 1.4.

(vii) You must renovate and modernize the Premises if they do not conform to our then-current Trade Dress requirements, subject to the Capital Expenditure Limitation.

(b) **Our Right Not to Renew**. If you have not met all of the conditions stated in Subsection 16.2(a), or if you have received 4 or more notices of default during the Initial Term, even if you cured the defaults, we may elect not to enter into a Renewal Franchise Agreement. Within 5 days after you receive our written notice that we have elected not to enter into a Renewal Franchise Agreement, you may request our permission for you to sell your Gus's Restaurant. You will then have 180 days to sell the Gus's Restaurant, subject to our right of first refusal. This notice will extend the Initial Term, as necessary, to the end of the 180-day period, unless we have other grounds to terminate the Initial Term. This transfer must comply with the provisions of Section 10.2 and all the other applicable terms of this Agreement. During this period, you must continue to operate your Gus's Restaurant in accordance with the terms of this Agreement.

SECTION 16.3 REINSTATEMENTS AND EXTENSIONS

If any termination or expiration of the Initial Term would violate any applicable law, we may reinstate or extend the Initial Term to comply with the law for the duration provided by us in a written notice to you, without waiving any of our rights under this Agreement or otherwise modifying this Agreement.

ARTICLE 17 - DISPUTE RESOLUTION

This is a long-term business relationship. If a dispute arises at any time between the parties relating to this Agreement, the parties will follow the dispute resolution procedures set forth in this ARTICLE.

SECTION 17.1 MEDIATION

Except for the matters involving remedies in Section 17.3, for any dispute involving this Agreement, the disputing party must submit the dispute to non-binding mediation with the non-disputing party before a mutually agreeable mediator. Mediation must take place before the disputing party can file any demand for arbitration or complaint. Both parties will sign a confidentiality agreement reasonably satisfactory to both parties. The parties will conduct the mediation in Memphis, Tennessee. Each party will bear his, her or its own costs for the mediation and each party will pay 50% of the mediator's fee. If a disputing party refuses to mediate the dispute, the disputing party cannot file any demand for arbitration or complaint involving the matter in dispute. If the non-disputing party refuses to mediate, the non-disputing party has waived mediation and the disputing party may immediately file a demand for arbitration or complaint.

SECTION 17.2 ARBITRATION

(a) **AAA**. Except as specifically modified by this Article and matters involving the remedies in Section 17.3, any controversy or claim under this Agreement, including any claim that this Agreement, or any part of this Agreement, is invalid, illegal or otherwise voidable or void, including any claim of fraud in the inducement, must be submitted to arbitration before the American Arbitration Association or any other mutually agreeable arbitration association to be resolved by a single arbitrator.

(b) **Enforceability**. The provisions of this Section are independent of any other covenant or provision of this Agreement. If a court of competent jurisdiction determines that any provision is unlawful in any way, that court will modify or interpret the provisions to the minimum extent necessary to have the provisions comply with the law. All issues of the arbitrability and the enforcement of this Agreement to arbitrate are governed by the United States Arbitration Act (9 U.S.C. §§ 1 et seq.) and the federal common law of arbitration. The governing law will be the laws of the State of Tennessee including its statutes of limitation.

(c) **Joinder**. All parties who may be legally responsible agree to participate in the arbitration and the parties must join all potential legal claims in the arbitration forum.

(d) **Rules**. The rules governing the conduct of the arbitration proceedings are consistent with generally prevailing standards of due process.

(e) **Panel**. The panel from which the arbitrator is chosen must be comprised of persons knowledgeable in the franchise industry and who have demonstrated a capability for unbiased decision.

(f) **Limited Discovery**. The arbitrator will permit limited discovery consistent with due process and the arbitrating organization's discovery rules and the discovery plan approved by the arbitrator.

(g) **Preliminary Hearing**. Before the actual hearing on the merits, either party may elect to have the arbitrator conduct a preliminary hearing. At this hearing, each party may present testimony and other evidence. Either party may submit briefs including a brief stating their legal theories and the applicable statutory or common law, and the methods of measuring damages relating to the controversy or claim.

(h) **Hearing**. The actual hearing on the merits must occur within 6 months of the date of the filing of the arbitration proceeding.

(i) **Opinion; Final Award**. The arbitrator must issue a reasoned written opinion on the merits within 30 days of the completion of the hearings on the merits.

(j) **Appeal**. If any party to arbitration wishes to appeal any final award (there will be no appeal of interim awards or other interim relief), the party may appeal, within 30 days of the final award, to a 3-arbitrator panel appointed by the same organization that conducted the arbitration. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration hearing and will not include any trial *de novo* or other fact-finding function. The party requesting the appeal must pay all expenses charged by the arbitration appeal panel and/or arbitration organization in the appeal and must post any bond deemed appropriate by the arbitration organization or arbitration appeal panel. In addition, a party requesting appeal that does not prevail on the appeal will pay the attorneys' fees and other costs that the other party incurred in responding to the appeal.

(k) **Final Judgment**. After 30 days from the issuance of the arbitration award, either party may enter judgment based on an arbitration award in any court having competent jurisdiction. The judgment is binding, final and non-appealable.

(l) **Failure to Pay Costs**. If a party fails to pay their share of the costs of arbitration, the arbitrator may enter a judgment against that non-paying party as to liability but not as to damages. The arbitrator will conduct a special hearing for the paying party on the issue of damages.

(m) **Failure to Appear**. If either party fails to appear at any properly noticed arbitration proceeding, an award on liability may be entered against that party by default or otherwise. The arbitrator will conduct a special hearing for the appearing party on the issue of damages. The other party may attend the hearing.

(n) **Self-Execution**. This arbitration provision is self-executing and remains in full effect after the expiration, transfer or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against that party by default or otherwise.

SECTION 17.3 EXCEPTIONS TO MEDIATION AND ARBITRATION; EQUITABLE RELIEF

(a) **Exceptions**. The obligation to mediate or arbitrate is not binding on either party for: (i) claims involving the Intellectual Property; (ii) claims involving any lease of real property between the parties or their related entities; (iii) your obligations upon the termination, transfer or expiration of this Agreement; (iv) any encumbrances or transfers restricted under this Agreement concerning interests in the Franchisee, the Gus's Restaurant and this Agreement; (v) matters involving actions that may impair the goodwill associated with the Intellectual Property; (vi) matters involving claims of danger, health or safety involving the Franchise, the employees, customers or the public; or (vii) requests for restraining orders, injunctions or other procedures in a court of competent jurisdiction to obtain specific performance when deemed necessary by any court to preserve the status quo or prevent irreparable injury pending resolution by mediation or arbitration of the actual dispute between the parties.

(b) **Injunction**. You recognize that your Gus's Restaurant is just one of a large number of businesses identified by the Intellectual Property in selling to the public the products and services associated with the Intellectual Property. The failure on the part of a Franchisee to comply with the terms of the Franchise Agreement is likely to cause irreparable damage to us and damages at law would be an inadequate remedy. Upon your breach or threatened breach of any of the terms of this Agreement concerning any matters referenced in Subsection 17.3(a), we are entitled to seek an injunction restraining the breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and costs incurred in obtaining equitable relief. This equitable remedy is in addition to all remedies that we have by virtue of your breach of this Agreement. We are entitled to seek this relief without the posting of any bond or security or, if a bond is required by a court of competent jurisdiction, the parties agree that the sum of $1,000 is a sufficient bond.

SECTION 17.4 JURISDICTION AND VENUE

(a) **Venue**. The parties irrevocably and unconditionally: (i) agree that any mediation, arbitration or suit, action or legal proceeding involving your Franchise Business or this Agreement will be conducted in the county where our principal place of business is then located or may be brought in the District Court of the United States, in the district where our principal place of business is then located or, if this court lacks jurisdiction, the courts of record of the state and county where our principal place of business is then located (currently, Shelby County, Tennessee); (ii) consent to the jurisdiction of each court in any suit, action or proceeding; (iii) waive any objection that he, she or it may have to the laying of venue of any suit, action or proceeding in any of these courts; and (iv) agree that service of any court paper may be effected on the party by mail at the last known address, as provided in this Agreement, or in any other manner as may be provided under applicable laws or court rules in the state where our principal place of business is then located.

(b) **Jurisdiction.** The parties specifically agree that this Agreement requires systematic and continuous contact with the state where our principal place of business is located. These contacts include the payment of fees in state where our principal place of business is located, the supplying of financial and other information into the state where our principal place of business is located, training and orientation in the state where our principal place of business is located and the performance of other obligations under this Agreement. This exclusive choice of jurisdiction does not preclude the bringing of any action by the parties for the enforcement in any other appropriate jurisdiction of any judgment obtained in the state where our principal place of business is located. Our principal place of business is currently located in Shelby County, Tennessee.

SECTION 17.5 ENFORCEMENT COSTS

If any legal action is permitted and instituted pursuant to Section 17.3, the prevailing party is entitled to recover reasonable pre-institution and post-institution attorneys' fees, court costs and all expenses even if not taxable as court costs (including all fees and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in the action or proceeding, in addition to any other relief that the party is entitled. Attorneys' fees include paralegal fees, administrative costs, investigative costs, costs of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorneys to the prevailing party. If we engage a collection agency or legal counsel for your failure to pay when due any monies owed under this Agreement or submit when due any reports, information or supporting records, or for any failure otherwise to comply with this Agreement, you must reimburse us on demand for all of the above-listed expenses we incur.

SECTION 17.6 GOVERNING LAW

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq. or the United States Arbitration Act, 9 U.S.C. §§ 1 et seq.), this Agreement and any other agreement between the parties and all transactions contemplated by this Agreement and all disputes between the parties are governed by the laws of the State of Tennessee without regard to principles of conflicts of laws.

SECTION 17.7 WAIVER OF PUNITIVE DAMAGES CLAIMS

THE FRANCHISEE AND THE FRANCHISEE'S OWNERS HEREBY WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE OR EXEMPLARY DAMAGES, MULTIPLE DAMAGES, OR CONSEQUENTIAL DAMAGES (EVEN IF THE FRANCHISEE HAS ADVISED THE FRANCHISOR OF THE POSSIBILITY OF THOSE DAMAGES), OR ANY OTHER DAMAGES, WHETHER BASED ON CONTRACT, TORT OR OTHERWISE, EXCEPT FOR ACTUAL DAMAGES. THE ACTUAL DAMAGES THAT THE FRANCHISEE MAY RECOVER WILL NOT EXCEED THE AGGREGATE AMOUNT OF ROYALTY FEES PAID BY THE FRANCHISEE TO THE FRANCHISOR SINCE THE OCCURRENCE OF THE ACT OR OMISSION GIVING RISE TO THE CLAIM FOR DAMAGES AND WILL REMAIN SUBJECT TO ANY APPLICABLE STATUTE OF LIMITATIONS.

SECTION 17.8 WAIVER OF JURY TRIAL

THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY OF ALL CLAIMS MADE BETWEEN THEM WHETHER EXISTING NOW OR IN THE FUTURE, INCLUDING ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSS CLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS INVOLVING THE SALE, NEGOTIATION, SIGNING OR PERFORMANCE OF THE TRANSACTIONS INVOLVING THIS AGREEMENT.

ARTICLE 18 - DEFINITIONS

SECTION 18.1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"**Advertising Contributions**" means the payments described in Subsection 3.1(c).

"**Advertising Fund**" means the fund described in Section 7.5 into which we will deposit the Advertising Contributions described in Subsection 3.1(c) to be used to purchase various advertising, marketing, and promotional materials and advertising and marketing programs.

"Affiliate" means Gus's IP, LLC, a Delaware limited liability company, and any other Business Entity controlled by, controlling, or under common control with, us regardless of whether an Affiliate sells products or services to you or sells franchises in any line of business.

"**Agreement**" means this Gus's Franchise Agreement, as it may be amended, supplemented or otherwise modified by the parties under Section 19.1.

"**Agreement Date**" means the date set forth on page 1 of this Agreement.

"**Approved Supplier**" means a supplier of a particular product or service, possibly among several other suppliers, that we have approved.

"**Authorized Menu**" means the latest version of the Menu contained in the Operations and Policies Manual.

"**Business Associate**" means any of our employees, officers, directors, agents, consultants, representatives, contractors, suppliers, distributors, franchisees or other business contacts.

"**Business Day**" means the period from 11:00 a.m. to 9:00 p.m. Monday through Thursday and Sunday and 11:00 a.m. to 10:00 p.m. Friday and Saturday, except for federal holidays.

"**Business Entity**" means a corporation, limited liability company, general partnership, limited partnership or other business entity authorized or qualified by state law of the state in which it will own and/or operate the Franchise Business as the Franchisee.

"**Business System**" means our unique business system for a casual restaurant that features fried chicken, beverages, and unique food service and other products prepared according to specified recipes and procedures, some of which include proprietary spices, batter, sauces and mixes and services using certain standards and specifications; sources of supply; uniform standards; procedures for the management of the Gus's Restaurant and customer service; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the Gus's Restaurant;

an Operations and Policies Manual; and bookkeeping and accounting methods and procedures; all of which we may change, improve and further develop doing business under the Principal Trademark "Gus's World Famous Fried Chicken."

"**Capital Expenditure Limitation**" means total capital expenditures we impose upon you under this Agreement every 7 years but not to exceed $75,000.

"**Company-Owned Unit**" means a Gus's Restaurant operated under the Business System and owned by us or any Affiliate or Predecessor.

"**Competitive Business**" means a casual or fast casual restaurant (other than another Gus's Restaurant) that prepares, sells or offers to dispense food products the same as or similar to the type sold in a Gus's Restaurant, in particular, any business that prepares, sells or offers to dispense fried chicken.

"**Confidential Information**" means information, formulas, ideas, discoveries, technical data, designs, devices, technology, know-how, research and development, inventions, methods, processes, and compositions, whether or not patentable, including, without limitation the following: recipes; kitchen equipment specifications; customer letters; guest books; vendor lists and related information; the Operations and Policies Manual, and other information made available to you "containing" confidential and proprietary information and our trade secrets; including information developed during the Initial Term or Renewal Term that derives independent economic value from being not generally known or readily ascertainable by other persons who could obtain economic value from its disclosure or use, yet, excluding information that is in the public domain.

"**Cooperative**" means the regional advertising cooperative described in Section 7.3.

"**Copyrights**" means original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, including, without limitation, the Operations and Policies Manual, any marketing and advertising materials, forms, lists, schedules and other documents and materials in whatever form that we or our Affiliate assert copyright rights regardless of whether the copyrighted work has been registered with the Copyright Office of the United States Library of Congress.

"**Designated Representative**" means ____________________, the person you designate to act on your behalf as described in Subsection 4.5(b).

"**Designated Supplier**" means a supplier from whom you must purchase certain products or services for your Gus's Restaurant.

"**Design Specifications**" means the specifications described in Subsection 2.3.

"Disabled" means the inability, due to physical or mental incapacity, to substantially perform duties and responsibilities under this Agreement with or without accommodation, for 180 days out of any 365-day period or 120 consecutive days.

"**DMA**" or **"Designated Market Area"** means a designated marketing area or geographic area that represents specific television markets as defined by the Nielsen Company. The areas do not overlap, and every county in the United States belongs to only one DMA.

"**Electronic Payment System**" means the system created by you to make payments to us as described in Section 3.3.

"**Enforcement Costs**" means the costs described in Section 17.5.

"**Event of Default**" means a breach of this Agreement including, without limitation, those situations described in Sections 1.4, 10.2(a), 10.2(e), 11.2, 11.3 and 11.4, assuming any requirement for the giving of notice, the lapse of time, or both, or any other condition is satisfied.

"**Franchise**" means the rights granted to you under this Agreement.

"**Franchise Disclosure Document**" or "**FDD**" means our current Franchise Disclosure Document and its Exhibits.

"**Franchise Owner**" means any individual that owns an equity interest in the Business Entity signing this Agreement as Franchisee.

"Franchise Unit", "**Franchised Unit**" or "**Franchise Business**" or "**Franchised Business**" means a Gus's Restaurant owned and operated under the Business System by a Franchisee.

"**Generally Accepted Accounting Principles**" means those standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. Generally Accepted Accounting Principles are derived, in order of importance, from: (i) issuances from an authoritative body designated by the American Institute of Certified Public Accountants ("AICPA") Council; (ii) other AICPA issuances including AICPA Industry Guides; (iii) industry practice; and (iv) accounting literature in the form of books and articles.

"**General Manager**" means the person you designate in accordance with this Agreement to act as the General Manager of and who has the responsibility for the day-to-day operation of the Franchise Unit on the Premises.

"Grand Opening Advertising Program" means that certain grand opening advertising and promotional program established by the Franchisor and amended from time to time in the sole discretion of Franchisor.

"Gross Revenues" means the entire amount of all of your revenues from the ownership or operation of your Gus's Restaurant including the proceeds of any business interruption insurance, whether the revenues are evidenced by cash, credit, checks, or gift certificates (unless exempted by us) and the fair market value of any services, property or other means of exchange, excepting only the amount of any sales taxes that are collected and paid to the taxing authority (based on the cash method of accounting). We allow the deduction of cash refunded and credit given to customers and receivables uncollectible from customers in computing Gross Revenues to the extent that the cash, credit or receivables represent amounts previously included in Gross Revenues where Royalty Fees and Advertising Contributions were paid. We deem that you have received Gross Revenues at the time the goods, products, merchandise or services from which Gross Revenues are derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first.

"Guarantor" means the person, persons or Business Entity that signs a Guaranty of Franchisee's Obligations Agreement or any guaranty agreement, as the guarantor, with us for the purpose of guaranteeing to us and our Affiliates, and their respective successors and assigns, either all or a portion of the obligations of the Franchisee to us and our Affiliates, and their respective successors and assigns.

"Gus's Restaurant" or "**Restaurant**" means the Franchised Unit or fried chicken restaurant we authorize you to establish and operate under the Business System and other Intellectual Property pursuant to the terms of this Agreement.

"**Initial Franchise Fee**" means the fee described in Subsection 3.1(a).

"**Initial Term**" means the term described in Section 16.1.

"**Initial Training**" means the training described in Subsection 2.8(a).

"**Intellectual Property**" means the Trademarks, Copyrights, Trade Dress, patents and the Confidential Information we and/or our Affiliates own that you are entitled to use under this Agreement as described in ITEMS 13 and 14 of the FDD.

"**Limited Protected Territory**" means an area mutually agreed upon by the parties and more precisely described on the map attached as Exhibit A.

"Local Advertising" means (i) implementing a drip marketing or communication strategy that sends, or "drips," a pre-written set of messages to customers or prospects over time "following" a pre-determined course - these messages often take the form of e-mail marketing, although other media can also be used; extending invitations to your Franchised Unit and bringing food to the employees of local businesses, police and fire stations and political offices in your Limited Protected Territory; giving away or donating food to charitable organizations; participating in local events and festivals such as food events, music festivals, and charitable events (*e.g.*, fun runs or 5k's) which attract a large amount of participants and supporters.

"**Menu Items**" means fried chicken and other products and beverages prepared according to our specified recipes and procedures, as we may modify and change them from time to time.

"**National Account**" means any customer with which we have signed a National Account Agreement contained in the Operations and Policies Manual and which has locations in the Limited Protected Territories of 2 or more Franchisees and which we designate as a national account.

"**Network**" means the group of Company-Owned Units and Franchised Units each operating a Gus's Restaurant.

"**New Employee Training**" means training equivalent to Initial Training as described in Subsection 2.13(k).

"**Non-Traditional Site**" means a Unit that serves primarily the customers located within the facility, including: (i) captive audience facilities (examples include parks charging admission, stadiums, amusement parks and centers, and theaters); (ii) limited purpose facilities (examples include airports, transportation centers, department stores, business and industrial complexes, museums, educational facilities, hospitals, and recreational parks); (iii) limited access facilities (examples include military complexes, buyer club businesses, educational facilities, and business and industrial complexes); (iv) other types of institutional accounts; and (v) temporary event locations (e.g. food shows, trade shows, athletic competitions, trade competitions, fundraisers or charitable events, conventions, fairs, and other community gatherings).

"**Notice of Default**" means the notices described in Section 11.4.

"**Opening Date**" means the date your Gus's Restaurant is first opened for business to the general public.

"**Operations and Policies Manual**" means all manuals produced by, or for the benefit of, us and loaned to you and any revisions prepared for your internal use involving the operation and management of the Gus's Restaurant. The Operations and Policies Manual may consist of printed text, manuals, electronic documents, software, audio materials, images, videos, and other information provided in printed form, on electronic storage media such as hard drives, computer discs, USB Thumb Drives, the internet, an extranet, audiotapes, videotapes, or any other medium. The Operations and Policies Manual is part of our Intellectual Property to which access is restricted under the terms of the Franchise Agreement. It contains among other things, confidential and proprietary information concerning the development and operation of your Gus's Restaurant, and is an original creative work of ours protected under the US Copyright Act.

"**POS System**" means the computerized cash registers, printer and modem or other computer hardware and software you must purchase in accordance with our specifications contained in the Operations and Policies Manual.

"**Predecessor**" means Gus's World Famous Hot and Spicy Fried Chicken, Inc., a Tennessee corporation.

"**Premises**" means the entire real property and improvements, either owned or leased by you, where your Gus's Restaurant will be located as described in Section 1.2 or in the site selection addendum.

"**Principal Trademarks**" means the words "Gus's World Famous Fried Chicken" the name under which every Unit does business and the words and design.

"**Private Label Products**" all products that are manufactured for us and our franchisees under the "Gus's" label.

"**Rebates**" means the payments described in Subsection 7.5(d).

"**Recipe**" means instructions for preparing seasoning, batter, ingredients, or food products associated with the Business System, including, without limitation, a list of required ingredients, quantity requirements, steps of preparation, cooking temperatures and durations, and other procedures to be followed as part of the preparation process.

"**Renewal Fee**" means the fee described in Subsection 3.1(f).

"**Renewal Franchise Agreement**" means our then-current form of Franchise Agreement for new Franchisees at the time you elect to renew the franchise relationship in accordance with Section 16.2.

"**Renewal Term**" means the term of the Renewal Franchise Agreement signed at the time the parties renew the franchise relationship.

"**Reserved Area**" means the area where you will undertake your site selection process to submit proposed sites for our approval in accordance with our site approval process. The Reserved Area excludes any Limited Protected Territory of a Company-Owned Unit or another Franchised Unit within the Network who already has a Gus's Restaurant under construction or in operation in the Reserved Area.

"**Royalty Fee**" means the fee described in Subsection 3.1(b).

"**Secret Recipe Products**" means batter for fried chicken and all other recipes and products created by us and deemed secret.

"**Trade Dress**" means the various store designs and images we developed and own for the Gus's Restaurant as it may be revised and developed by us, the distinctive exteriors of the Gus's Restaurant, the distinctive interior décor, the distinctive menus, distinctive uniforms worn by staff, as well as the many other items, which together form the overall look and feel of the restaurant and its products and services.

"**Trademarks**" means the Principal Trademarks and all other trademarks, service marks, trade names, logos and commercial symbols (including, without limitation, Trade Dress) authorized by us as part of the Business System.

"**Traditional Local Advertising**" means (i) advertising, promotion and marketing you undertake in media directed primarily in your local market area including television, radio, newspapers, magazines, billboards, posters, handbills, direct mail, yellow pages, sports program booklet advertising, church bulletins, collateral promotional and novelty items (for example, matchbooks, pens and pencils, bumper stickers, calendars) that prominently display the Intellectual Property; (ii) advertising on public vehicles including cabs and buses; (iii) the cost of producing materials necessary to participate in these media; (iv) agency commissions on the production of the advertising; and (v) amounts paid to an approved regional advertising cooperative or to a merchant's association for advertising where you are a member. Local Advertising does not include: (i) payments to the Advertising Fund; (ii) payments for permanent on-premises signs; (iii) purchasing or maintaining vehicles even though the vehicles display in some manner the Intellectual Property (except the cost of the materials displayed are included); (iv) contributions or sponsorships (unless the Intellectual Property are prominently displayed by the group or activity receiving the contribution or sponsorship); (v) premium or similar offers including discounts, price reductions, special offers, free offers and sweepstake offers (except that the media costs associated with promoting the premium offers are included); (vi) employee incentive programs; and (vii) other similar payments that we may determine in our sole discretion should not be included in determining whether you have met your obligation for Local Advertising.

"**Trainees**" means the persons approved by us who attend either Initial Training, New Employee Training or any subsequent and equivalent training conducted by us.

"**Training**" means some or all of the following instruction as determined by Franchisor, in its sole discretion, based on the previous experiences and responsibilities of those being trained: instruction regarding restaurant development, food preparation, product purchasing and sources of supply, as well as instruction in marketing, promotion and advertising, merchandising techniques, sales techniques, customer service techniques and procedures for services.

"**Transfer Fee**" means the fee described in Subsection 3.1(e).

"**Unique Consideration**" means the consideration described in Subsection 10.5(c).

"**Unit**" means either a Company-Owned Unit or a Franchised Unit.

"**Website**" means www.GusFriedChicken.com.

"**You**" or "**Your**" means the person, persons or Business Entity that signs this Agreement as the Franchisee.

SECTION 18.2 OTHER DEFINITIONAL PROVISIONS

(a) **Defined Meanings**. All of the words or terms defined in this Agreement have these defined meanings when used in other documents issued under or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document.

(b) **Person**. The term "**person**" includes any corporation, limited liability company, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

ARTICLE 19 - GENERAL PROVISIONS

SECTION 19.1 AMENDMENTS

Except as provided in this Agreement, a party cannot amend, supplement or change the provisions of this Agreement except by an Amendment to Franchise Agreement signed by the parties. Only our President has the authority to sign an Amendment to Franchise Agreement on our behalf.

SECTION 19.2 OUR APPROVAL OR CONSENT

Whenever our approval or consent is required under this Agreement, our approval or consent will not be unreasonably withheld, conditioned or delayed (by more than 10 days), unless we have specifically retained sole discretion to approve or consent.

SECTION 19.3 MODIFICATION OF THE BUSINESS SYSTEM

YOU AGREE THAT AFTER THE AGREEMENT DATE WE MAY MODIFY THE BUSINESS SYSTEM UNDER THE TERMS OF THIS AGREEMENT. YOU AGREE TO ABIDE BY ANY MODIFICATIONS IN THE BUSINESS SYSTEM AS IF THEY WERE PART OF THIS AGREEMENT AT THE TIME THE PARTIES SIGNED THIS AGREEMENT. YOU WILL MAKE ALL EXPENDITURES AND MODIFICATIONS OF THE BUSINESS SYSTEM, AS WE REQUIRE SUBJECT TO THE CAPITAL EXPENDITURE LIMITATION.

SECTION 19.4 BINDING EFFECT

The provisions of this Agreement binds, benefits and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

SECTION 19.5 NOTICES

All notices, requests, consents and other communications required or permitted under this Agreement must be in writing and sent by USPS, FedEx or UPS addressed to:

If to Us:	If to You:
Gus's Franchisor, LLC	____________________ LLC
Attn: Wendy McCrory, President	Attn: _________________, ___________
5828 Shelby Oaks Drive	___________________________________
Memphis, Tennessee 38134	___________________________________

or to any other address any party designates by notice complying with the terms of this Section. The parties agree that each notice is deemed delivered on the date delivered by USPS, FedEx or UPS.

SECTION 19.6 HEADINGS

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and will not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

SECTION 19.7 SEVERABILITY

(a) **Prohibited Provision**. If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) **Modification of Provision.** If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

SECTION 19.8 WAIVERS

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

SECTION 19.9 REMEDIES CUMULATIVE

Except as otherwise stated in this Agreement, no remedy in this Agreement for any party is intended to be exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy given under this Agreement, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

SECTION 19.10 EFFECTIVENESS; COUNTERPARTS

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Memphis, Tennessee and our President signs this Agreement. We advise you not to incur any expenses for opening your Gus's Restaurant until you have received a final signed copy of this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same instrument. Confirmation of signing by sending the signature page by facsimile, telecopy or e-mail binds any party to the confirmation.

SECTION 19.11 SURVIVAL

The parties' obligations that expressly or by their nature survive the expiration or termination of this Agreement continue in full force after the transfer, expiration or termination of this Agreement until they are satisfied or by their nature expire.

SECTION 19.12 FORCE MAJEURE

Notwithstanding anything else contained in this Agreement, neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, natural disaster, pandemics or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

SECTION 19.13 THIRD PARTIES

Except as provided in this Agreement to the contrary for other Franchisees, nothing in this Agreement, whether express or implied, confers any rights or remedies under this Agreement on any person (including other Franchisees) other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Except as provided in this Agreement to the contrary for any designee, nothing in this Agreement relieves or discharges the obligation or liability of any third person to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

SECTION 19.14 INTERPRETATION

Each of the parties agree that he, she or it has been or has had the opportunity to be represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other documents be construed against us.

SECTION 19.15 ENTIRE AGREEMENT

This Agreement and all other written agreements involving this Agreement and expressly referenced in this Agreement, represent the entire understanding and agreement between the parties on the subject matter of this Agreement and supersede all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not contained in this Agreement or all other written agreements concerning this Agreement and expressly referenced in this Agreement, are of any effect. Nothing in this Agreement or in any related document is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

SECTION 19.16 ELECTRONIC SIGNATURES

The parties agree that this Agreement and related documents may be signed electronically through DocuSign. A PDF of this Agreement signed by the parties is a valid and enforceable contract.

IN WITNESS WHEREOF, the parties have duly signed this Agreement as of the date first written above.

WE, US, OR OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________
Wendy McCrory, President

YOU OR YOUR (FRANCHISEE):

____________________LLC

By: ______________________________
______________________, ________________

<u>APPROVED LOCATION ADDENDUM TO GUS'S FRANCHISE AGREEMENT</u>

THIS APPROVED LOCATION ADDENDUM ("Addendum") is dated as of _____________, 20__ between Gus's Franchisor, LLC ("we, "us" or "our") and ___________________LLC, a ________________ limited liability company ("you" or "your").

<u>BACKGROUND</u>

A. The parties have signed a Gus's Franchise Agreement (the "Agreement");

B. At the time the parties signed the Agreement, you have not selected a location that we have approved for the Gus's Restaurant;

C. You have now selected a location that we have approved and, pursuant to Section 1.2 and 2.1 of the Agreement, the parties are entering into this Addendum.

The parties agree as follows:

<u>TERMS</u>

1. You agree that you will operate the Gus's Restaurant only at ____ (the "Premises").

2. Your Limited Protected Territory is described in the attached map.

3. Upon any inconsistency between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum supersede and control. In all other respects, the parties ratify and confirm the terms of the Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed this Addendum.

WE, US, OR OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________________

Wendy McCrory, President

YOU OR YOUR (FRANCHISEE):

_____________________LLC

By: ______________________________________

EXHIBIT D

DEVELOPMENT AGREEMENT

GUS'S DEVELOPMENT AGREEMENT

BETWEEN

GUS'S FRANCHISOR, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

(FRANCHISOR)

AND

______________________, ________
A ____

(DEVELOPER)

EFFECTIVE DATE: _______________ ____, 2022

Number of Franchise Outlets: _________

Development Area: described on Exhibit A

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<u>GUS'S DEVELOPMENT AGREEMENT</u>

THIS DEVELOPMENT AGREEMENT dated as of _______ ___, 2022 ("Effective Date"), by and between Gus's Franchisor, LLC, a Delaware limited liability company (the "Franchisor") and __________________, _____, a ______________________ (the "Developer").

The Franchisor has written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that the Agreement covers before you sign it. In this Agreement, the Franchisor is referred to as "we," "us" or "our." The Developer is referred to as "you" or "your."

<u>BACKGROUND</u>

A. Our Affiliate, Gus's IP, LLC, a Delaware limited liability company ("Gus's IP"), has developed a unique business system for a casual restaurant (the "Restaurant") that features fried chicken, beverages, and unique food service and other products prepared according to specified recipes and procedures, some of which include proprietary spices, batter, sauces and mixes and services using certain standards and specifications; sources of supply; uniform standards; procedures for the management of the Restaurant and customer service; advertising and promotional materials and programs; assistance and training in the operation, management and promotion of the Restaurant; an Operation and Policies Manual; and bookkeeping and accounting methods and procedures; all of which we may change, improve and further develop (collectively, the "Business System") doing business under the Principal Trademark "Gus's® Restaurant;"

B. We have signed a License Agreement with Gus's IP that grants us the right to sublicense the use of the Intellectual Property to our Gus's Franchisees as part of our sale of Gus's Franchises that own and operate Gus's® Restaurants. You understand that Gus's IP does not have any liability to you for our performance under the terms of this Agreement.

C. You recognize the benefits of receiving rights from us to develop up to __ Franchise Businesses in a given geographic area (the "Development Area") each operating under a Franchise Agreement with us (the "Development Rights").

D. Developer desires to obtain the right to develop Franchise Businesses within the Development Area specified in <u>Exhibit A</u> hereto, for the period specified in this Agreement, pursuant to the terms, conditions and provisions which are set forth in this Agreement.

E. We have reviewed your application and have decided to award Development Rights to you under the terms of this Agreement.

NOW, THEREFORE, in consideration of Franchisor granting to Developer the right to develop Franchise Businesses in the Development Area for such period, and in consideration of the mutual obligations which are provided for herein, the parties hereby agree as follows:

____

All capitalized terms are defined in ARTICLE 8 or if not elsewhere defined herein, shall have the meaning set forth in the applicable Franchise Agreement between the parties.

TERMS

ARTICLE 1 - APPOINTMENT OF THE DEVELOPER

SECTION 1.1 DEVELOPER ORGANIZATION

(a) Developer and each Principal represent and warrant that: (i) Developer is a limited liability company duly formed, validly existing and in good standing under the laws of the state of its formation; (ii) Developer is duly qualified and is authorized to do business and is in good standing as a foreign limited liability company in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (iii) the execution and delivery of this Agreement and the transactions contemplated hereby are within Developer's power; (iv) the execution and delivery of this Agreement have been duly authorized by the Developer; (v) the articles of organization and operating agreement of Developer delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (vi) the certified copies of the minutes electing the officers or managers of Developer and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (vii) the financial statement of Developer and financial statements of its Principals, heretofore delivered to Franchisor, are true, complete and correct, and fairly present the financial positions of Developer and each Principal, respectively, as of the date thereof; (viii) such financial statements have been prepared in accordance with sound business principles; and (ix) there have been no materially adverse changes in the condition, assets or liabilities of Developer or any Principal since the date or dates thereof.

(b) Developer and each Principal covenant that during the term of this Agreement: (i) Developer shall do or cause to be done all things necessary to preserve and keep in full force its existence and shall be in good standing as a foreign limited liability company in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; and (ii) Developer shall have the authority to carry out the terms of this Agreement.

(c) Developer and each Principal shall provide Franchisor with such financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial statements of Developer and each Principal, dated as of the end of the last preceding fiscal year of the Developer or Principal, said statements to be delivered to Franchisor no later than April 15th of each year, which financial statements shall conform to the standards set forth in subsection (a) above.

(d) Developer and each Principal represent, warrant and covenant that all Interests in Developer are owned as set forth on Exhibit B hereto, that no Interest has been pledged or hypothecated, and that no change will be made in the ownership of any such Interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Developer and the Principals agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the Interests of Developer and the Principals remain as represented herein.

(e) Each Principal, jointly and severally, hereby personally and unconditionally guarantees each of Developer's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Developer to Franchisor). Each Principal agrees that Franchisor may resort to such Principal (or any of them) for payment of any such financial obligation, whether or not Franchisor shall have proceeded against Developer, any other Principal or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal agrees that if the performance or observance by Developer of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party liable in respect thereto or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal described in this Subsection.

(f) Developer agrees to designate one of its Principals as the "Designated Representative" of Developer who has the authority to, and does, in fact, actively direct the operation of the Developer and has authority to sign on your behalf on all contracts and commercial documents. We have the right to approve and the right to rely solely on instructions of the Designated Representative concerning the operation of the Developer until we receive a duly signed written notice changing the Designated Representative and such replacement Designated Representative is approved by us. In the event of the death or disability of the Designated Representative, the remaining Principals will designate a replacement Designated Representative, approved by us, within 10 days of the death of disability of the Designated Representative. The initial Designated Representative of Developer shall be ________________.

SECTION 1.2 GRANT OF DEVELOPMENT RIGHTS

(a) We grant to you, subject to the terms in this Agreement, the Development Rights, and you undertake the obligation, to construct, open and operate up to __ Franchised Businesses within the Development Area in accordance with the Development Schedule set forth in Section 1.3.

(b) We agree not to offer Development Rights to anyone other than you within the Development Area, except as provided in this Agreement.

(c) With our prior written approval, you may form an entity under the Control of the Designated Representative ("Developer Affiliated Entity") to own and operate 1 or more Franchised Businesses that you develop.

SECTION 1.3 DEVELOPMENT SCHEDULE

(a) You, or a Developer Affiliated Entity, as approved by us, will construct, open and operate Franchised Businesses located within the Development Area in accordance with the following minimum Development Schedule:

Number of Operating Franchised Businesses	Date When Franchised Businesses are to be Operating
_____	___________________
_____	___________________
_____	___________________
_____	___________________
_____	___________________

(b) You agree that the Development Schedule is fixed upon signing this Agreement. You or any Developer Affiliated Entity may not open additional Franchised Businesses in excess of the number of Franchised Businesses listed above within the Development Area except upon:

(i) our consent that may be withheld in our complete discretion;

(ii) the payment by you or such Developer Affiliated Entity of the Initial Franchise Fee described in Section 3.2 and the other fees we are then charging to new Franchisees; and

(iii) the signing by you or such Developer Affiliated Entity of our then-current form of Franchise Agreement.

(c) Except with regard to Developer Affiliated Entities, you have no authority to, and you will not, subfranchise or sublicense your rights under this Agreement to any person.

SECTION 1.4 MINIMUM DEVELOPMENT PERFORMANCE

You, or your Developer Affiliated Entity, will submit to us franchise applications for each Franchised Business, enter into Franchise Agreements on our then-current form of Franchise Agreement and have opened in the Development Area the number of Franchised Businesses listed in Section 1.2 on or before the times indicated. Each franchise application must state the specific site for each proposed Franchised Business and must be submitted before the time that you, or your Developer Affiliated Entity, acquire any interest in the site. If we terminate a Franchise Agreement, we deduct that Franchised Business from the number of operating Franchised Businesses and a new Franchised Business must replace it within the time established by the Development Schedule. A Franchised Business remains credited against the Development Schedule if relocated in accordance with Section 1.4 of the Franchise Agreement.

SECTION 1.5 DEVELOPMENT AREA

(a) We grant to you the exclusive right to construct, open and operate Franchised Businesses within the Development Area. For the perimeter of the Development Area, you agree that neither you nor any Developer Affiliated Entity will select a site that is within the exclusive territory of a Company-Owned Unit or Franchise Unit that is operating or under construction. We agree not to open a Company-Owned Unit or a Franchise Unit within the Limited Protected Territory of any Franchised Businesses owned by you or any Developer Affiliated Entity even if the Limited Protected Territory extends outside the Development Area.

(b) Except as stated in Subsection 1.4(c) and Section 1.5, while this Agreement remains in effect and you have complied with the Development Schedule and have not otherwise defaulted under this Agreement, we:

(i) will not enter into Franchise Agreements for the purpose of operating Franchised Businesses with any person or business entity other than you or any Developer Affiliated Entity within the Development Area; and

(ii) will not establish Company-Owned Units within the Development Area.

(c) If we determine that it is necessary to locate a Company-Owned Unit or Franchise Unit in the Development Area to prevent a Competitive Business from being located in the Development Area, we will give you written notice of this determination and advise you of the proposed location of the proposed Unit. For 30 days after the date of the notice, you or any Developer Affiliated Entity approved by us have the sole option to purchase a Franchised Business for the location; provided you or any Developer Affiliated Entity is not ineligible to operate the Franchise Unit at the proposed location due, for example, to governmental restrictions. If you, or your Developer Affiliated Entity as approved by us, fails to exercise this option, we have the right to open a Company-Owned Unit or grant a Franchise Unit at that location without any liability to you.

SECTION 1.6 YOUR RIGHTS - LIMITED EXCLUSIVITY

The Development Rights granted under this Agreement to you are limited. In addition to our right to use and grant others the rights to use the Intellectual Property outside the Development Area, all rights not expressly granted to you in this Agreement concerning the Intellectual Property or other matters we expressly reserve, including our right to:

(a) **Non-Traditional Sites**. We have the right to establish, develop, license or franchise a Unit within any Limited Protected Territory described in the Franchise Agreement(s) between you or any Developer Affiliated Entity and us, if the Unit is to be located at a Non-Traditional Site. If we develop a model for a Non-Traditional Site and determine that the Limited Protected Territory of you or any Developer Affiliated Entity is an appropriate market for a Non-Traditional Site and you or any Developer Affiliated Entity are otherwise eligible to operate a Gus's Restaurant at the Non-Traditional Site, we will provide to you a written offer ("Offer") specifying the terms and conditions for your (or your Developer Affiliated Entity's) development of the Non-Traditional Site, provided you and any of your Developer Affiliated Entities are not in default under this Agreement or any other agreement with us or our Affiliates. You will have 90 days following your receipt of the Offer to accept the Offer by delivering written notice to us of your acceptance. If you do not provide written notice to us within 90 days or if you, or any of your Developer Affiliated Entities, are in default under this Agreement or any other agreement with us or our Affiliates, you will lose the right to develop the Non-Traditional Site and we may develop or franchise others to develop the Non-Traditional Site within your Limited Protected Territory on substantially the same terms and conditions as those provided in the Offer. You acknowledge and agree that if you accept the Offer, we may require you or any Developer Affiliated Entity, if applicable, to submit a full application, pay the then-current Initial Franchise Fee and sign our then-current form of Gus's Franchise Agreement that may be materially different from this Agreement.

(b) **Different Business Models**. Establish, develop, license or franchise other business models, different from the Business System licensed by this Agreement within or outside any Limited Protected Territory granted to you or your Developer Affiliated Entities, regardless of its proximity to, or potential impact on, the Restaurant, without offering or providing you any rights in, to, or under the other systems.

(c) **Dissimilar Channels of Distribution**. Sell or offer to sell similar products and services authorized for the Restaurant using our trademarks or copyrights through dissimilar channels of distribution including the Internet, catalog sales, telemarketing, or other direct marketing within or outside any Limited Protected Territory granted to you or your Developer Affiliated Entities and under any terms that we deem appropriate, regardless of their potential impact on any Restaurant owned and operated by you or any Developer Affiliated Entity, without offering or providing you the right to participate or receive any compensation.

(d) **Other Retail Sales**. Sell and distribute products or license others to sell and distribute products, within or outside any Limited Protected Territory granted to you or your Developer Affiliated Entities, through grocery or convenience stores or other similar retail stores. The products may include those bearing our Principal Trademarks and you acknowledge that you will not receive any compensation for these sales.

(e) **National Accounts**. We have the right to establish programs involving National Accounts retaining the sole right to sell or provide services to the National Account. If there is a branch of a National Account located within any Limited Protected Territory granted to you or any of your Developer Affiliated Entities, then you or the subject Developer Affiliated Entity may sell or provide your services to the National Account in accordance with the prices we have negotiated, in accordance with the provisions regarding the National Account Program contained in the Operation and Policies Manual.

(f) **Acquisition of Competitive Business**. If we acquire a Competitive Business and outlets of the Competitive Business encroach upon any Limited Protected Territory granted to you or any of your Developer Affiliated Entities, we will have 1 year from the date of acquisition of the Competitive Business to sell the encroaching outlets without being in default under this Agreement.

SECTION 1.7 TIME OF THE ESSENCE

Time is of the essence for your obligations under this Agreement.

ARTICLE 2 - OUR DUTIES

We will provide you and each of your Developer Affiliated Entities with the following assistance and services as necessary for the development and operation of the Franchised Businesses if you are not in default under this Agreement:

SECTION 2.1 SERVICES AND SUPPORT

We will provide you and each of your Developer Affiliated Entities, as applicable, the services and continual support for each Franchised Business as stated in ARTICLE 2 of each Franchise Agreement.

SECTION 2.2 DUTIES SOLELY TO YOU

All of our obligations under this Agreement are solely to you. No other party is entitled to rely on, enforce, or obtain relief for breach of these obligations directly or by subrogation.

SECTION 2.3 OUR RIGHT TO DELEGATE DUTIES

You agree to our right to delegate any of our duties under this Agreement to a Designee. You must discharge your duties with any Designee to the extent we request in the same manner that you must do so with us.

ARTICLE 3 - FEES AND PAYMENTS

SECTION 3.1 DEVELOPMENT FEE

The parties agree that $ _________ Development Fee is due and payable under this Agreement. The Development Fee is nonrefundable and we fully earn it upon signing this Agreement. When you sign the Franchise Agreement for a Franchise Business after the first Franchise Agreement, we will give you a credit of $10,000 against the then-current Initial Franchise Fee.

SECTION 3.2 INITIAL FRANCHISE FEE AND ROYALTY FEE

In consideration of our signing each Franchise Agreement for a Franchised Business, you or your Developer Affiliated Entity, if applicable, agree to pay to us the following fees in addition to such other fees pursuant to our then-current form of Franchise Agreement, all payable in United States currency at our principal office:

	Initial Franchise Fee	Royalty Fee
1st Franchised Business	$75,000	6.5%
2nd Franchised Business	$65,000	6.0%
3 or more Franchised Business	$55,000	5.5%

SECTION 3.3 INTEREST ON LATE PAYMENTS; LATE CHARGE

Although each failure to pay monies when due is an Event of Default, to encourage prompt payment and to cover the costs involved in processing late payments, if any payment under this Agreement or any other agreement between us or our Affiliates and you or any of your Developer Affiliated Entities is overdue for any reason, you must pay to us, on demand, in addition to the overdue amount, any insufficient funds (NSF) charges we incur and interest on the overdue amount from the date it was due until paid equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by law. You must also pay a late charge of $100 for each overdue payment.

ARTICLE 4 - YOUR DUTIES

SECTION 4.1 ACHIEVEMENT OF DEVELOPMENT SCHEDULE

You will use your best efforts to confine your activities exclusively to constructing, opening and operating the Franchised Businesses contemplated under this Agreement in order to achieve the Development Schedule. You and your Developer Affiliated Entities will maintain sufficient financial resources to construct, open and operate the Franchised Businesses. You will maintain a minimum net worth of $500,000 during the term of this Agreement or have a firm commitment from a lender reasonably satisfactory to us for financing the development of the Franchised Businesses. If you fail to achieve the Development Schedule, we have the right to terminate this Agreement and retain the entire Development Fee. If we terminate this Agreement for your failure to meet the Development Schedule, we may immediately grant other individuals and entities the right to develop and open Franchised Businesses in the Development Area, or ourselves open Company-Owned Units in the Development Area. You and your Developer Affiliated Entities will retain all rights under the Franchise Agreements for the Franchised Businesses you or your Developer Affiliated Entities have under construction or in operation, provided that neither you nor your Developer Affiliated Entities are in default under any Franchise Agreements.

SECTION 4.2 REPORTS

You agree to maintain and preserve accurate records for the development and operation of the Franchised Businesses at your principal office. These records and information must include the following: site reports, leases for the Franchised Businesses, supervisory reports on the operation of the Franchised Businesses, records reflecting your financial condition and all other records and reports as we reasonably prescribe.

SECTION 4.3 COMPLIANCE WITH FRANCHISE AGREEMENTS

You or one of your Developer Affiliated Entities will enter into a Franchise Agreement for each Franchised Business and comply with the duties stated in this ARTICLE. You and your Developer Affiliated Entities will develop, institute and maintain all management systems, procedures and personnel, as we require, assuring the efficient operation of each of the Franchised Businesses.

ARTICLE 5 - TRANSFER OF INTEREST

SECTION 5.1 TRANSFER BY US

We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent.

SECTION 5.2 TRANSFER BY YOU

The rights and duties in this Agreement are personal to you. We have granted this Agreement in reliance on your business and personal skills, reputation, aptitudes and financial capacity. Accordingly, you agree that you cannot sell, assign, transfer, convey, give or encumber (collectively "transfer") this Agreement without our written consent (which may be granted or withheld by us in our sole and absolute discretion). The transfer of any Development Rights under this Agreement must include all signed Franchise Agreements, unless we otherwise agree in writing. You may transfer this Agreement to a business entity owned by you but you continue to remain personally liable for all of your obligations under this Agreement. If you intend to transfer this Agreement as part of your sale of all of the assets or equity comprising your Franchised Businesses under construction or in operation, we will consent to the transfer provided you comply with your obligations under Subsection 10.2 of the Franchise Agreements. Any purported transfer by you, by operation of law or otherwise in violation of this Agreement, is ineffective, and is a material breach of this Agreement, for which we may then terminate this Agreement without affording you an opportunity to cure.

ARTICLE 6 - TERM

SECTION 6.1 INITIAL TERM

The Initial Term of this Agreement commences as the Effective Date and terminates the earlier of: (i) the date when we approve the site for your last Franchised Unit, or (ii) _______________, 20__ (the "**Initial Term**"), unless otherwise sooner terminated due to default. The conditions under which you have the opportunity of obtaining a renewal Development Agreement at the expiration of this Agreement are those stated in Section 6.2.

SECTION 6.2 OPTION TO OBTAIN RENEWAL DEVELOPMENT AGREEMENT

(a) If you desire to continue to develop the Development Area, you are granted the option to obtain a renewal Development Agreement for an additional 5-year term on the following conditions, which must be met at the time the option is exercised and immediately before the beginning of the Renewal Term, unless another time is specified:

(i) You give us written notice of your intention to exercise your option to renew your Development Rights by giving us written notice between 9 months and 12 months before the end of the Initial Term.

(ii) You are not in default of any provision of this Agreement including the Development Schedule or any other agreement between you or any of your Developer Affiliated Entities and us at the time you give us written notice and at the time the Initial Term expires.

(iii) You have, at the time of renewal, sufficient financial and management resources in our discretion to continue development of additional Franchised Businesses in the Development Area.

(iv) You meet our then-current qualification and training requirements.

(v) Within 30 days before the end of the Initial Term, you sign and deliver to us our then-current form of Development Agreement, the terms of which may materially differ from the terms of this Agreement except for the Royalty Fee which will not vary by more than 1% of the then current fee amount, including a new Development Schedule and pay us any Development Fee we are then charging for Development Rights.

(vi) You sign a general release in the form included in Exhibit N to the FDD of all claims against us and our Affiliates, and their respective officers, directors, shareholders, agents and employees except for our known liabilities to you and liabilities from which we may not require a release under any applicable state law.

(b) If you have not met all of the conditions in Subsection 6.2(a), we may elect not to enter into a renewal Development Agreement if we provide you with written notice of our intention not to enter a renewal Development Agreement.

SECTION 6.3 OUR RIGHT NOT TO ENTER INTO A RENEWAL DEVELOPMENT AGREEMENT

Notwithstanding Section 6.2, we may elect not to enter into a renewal Development Agreement with you, if: (i) we provide you with written notice at least 180 days before the expiration of this Agreement; (ii) we reasonably believe that the Development Area has been adequately saturated with Franchised Businesses; and (iii) our refusal to enter into a renewal Development Agreement is not for the purpose of appointing another developer for the Development Area or for the opening of additional Franchised Businesses or Company-Owned Units in the Development Area.

ARTICLE 7 - DEFAULT AND TERMINATION

SECTION 7.1 TERMINATION BY YOU

If you have substantially complied with this Agreement and we materially breach this Agreement, you may give us written notice of the nature of the breach. If we do not cure the breach within 30 days or within a longer period, if the nature of the breach is such that we cannot cure within 30 days, you have the right to terminate this Agreement. You may also terminate this Agreement upon the mutual written agreement with us. Any termination of this Agreement by you other than as stated above is a wrongful termination by you.

SECTION 7.2 TERMINATION BY US WITH NOTICE

If we terminate any Franchise Agreement between you or any Developer Affiliated Entity and us due to your default or the default of any Developer Affiliated Entity, after we have given you or your Developer Affiliated Entity written notice of such default, if notice is required, and afforded you or your Developer Affiliated Entity, as applicable, an opportunity to cure if there is a right to cure, we may terminate this Agreement by giving you or the subject Developer Affiliated Entity written notice of termination.

SECTION 7.3 TERMINATION BY US WITH NOTICE AND OPPORTUNITY TO CURE

You have 30 days or any longer period as applicable law may require, after we deliver you a written notice of default to cure any default under this Agreement and provide evidence of cure satisfactory to us. If you fail to cure timely any curable default, we have the right to terminate this Agreement effective upon your receipt of our written notice of termination. You have the burden of proving you have timely cured any default, to the extent it is a curable default under this Agreement.

SECTION 7.4 AUTOMATIC TERMINATION

Without our prior written consent, this Agreement shall automatically terminate without notice, upon the sale, assignment, conveyance, or transfer, by operation of law or otherwise, of 50% or more of the equity or financial rights or the controlling governance or voting interests of Developer, or an equity owner of Developer who or that directly or indirectly, through one or more intermediaries, owns and/or controls 50% or more of the equity or financial rights or the controlling governance or voting interests of the Developer.

SECTION 7.5 EFFECT OF TERMINATION OR EXPIRATION

Upon any permitted termination of this Agreement by us or the expiration of the Initial Term or Renewal Term of this Agreement, all your area development rights cease. We are then free to open Company-Owned Units or franchise Franchise Businesses to others within your former Development Area but outside any Limited Protected Territory granted to you (or your Developer Affiliated Entity(ies)) under Franchise Agreements for Franchised Units you or any of your Developer Affiliated Entities are currently operating or are under construction, provided you or any of your Developer Affiliated Entities are not otherwise in default under any Franchise Agreement.

ARTICLE 8 - DEFINITIONS

SECTION 8.1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

"**Agreement**" means this Gus's Development Agreement, as it may be amended, supplemented or otherwise modified by a written agreement the parties sign.

"**Company-Owned Unit**" means a Gus's business operating pursuant to the System owned by us or by any Affiliate.

"Control" means (a) owning legal and equitable title to fifty-one percent (51%) or more of the outstanding voting securities of an entity, which are not subject to a proxy granted to or contract with any other person or party granting that party the right to vote part or all of such securities, (b) having and continually exercising the contractual power presently to designate a majority of the managers and/or directors of an entity and (c) having and continually exercising the right, power and authority to act on behalf of, manage, operate and otherwise obligate or bind an entity in the conduct of the entity's business.

"**Designee**" means one or more of our representatives who are independent contractors that we appoint to perform certain of our duties under this Agreement as described in ARTICLE 2.

"**Development Area**" means that limited geographical area identified and set forth in Exhibit A to this Agreement.

"**Development Fee**" means the fee described in Section 3.1.

"**Development Rights**" means the rights granted to you under ARTICLE 1 to construct and operate Franchised Businesses in the Development Area under the terms of this Agreement and the Franchise Agreements between you or any Developer Affiliated Entity and us.

"**Development Schedule**" means the number of Franchised Businesses to be developed and the period in which to open the Franchised Businesses as provided in Section 1.2.

"**Franchise Agreement**" means the then-standard form of Gus's Franchisor, LLC Franchise Agreement we are offering to new franchisees, the current form of which is included in Exhibit C to the Franchise Disclosure Document.

"**Franchised Business**" or "**Franchise Business**" means the Gus's Restaurant or Franchise Unit we authorize you or your Developer Affiliated Entity to establish and operate under a Franchise Agreement.

""**Franchise Disclosure Document**"" or "**FDD**" means our current Franchise Disclosure Document and all Exhibits.

"**Franchisee**" is the person, persons or business entity with whom we enter into a Franchise Agreement.

"Franchise Unit", **Franchised Unit**" or "**Unit**" means a Gus's Restaurant or Franchise Business owned and operated under the Business System by a Franchisee.

"**Initial Term**" means the term of the Agreement described in Section 6.1.

"Interest" means, when referring to interests or rights in Developer, any membership interest, shares or equity of Developer, and any other equitable or legal right in or to any of Developer's equity, revenues, profits or assets; when referring to rights or assets of Developer, Developer's rights under and interest in this Agreement, any Unit and its revenues, profits and assets.

"Principals" means the members, shareholders, partners or equity owners of Developer.

"**Renewal Term**" means the term of the renewal Development Agreement described in Subsection 6.2(a).

SECTION 8.2 OTHER DEFINITIONAL PROVISIONS

(a) All of the terms defined in this Agreement have these defined meanings when used in other documents issued under, or delivered under this Agreement unless the context otherwise requires or unless specifically otherwise defined in the other document; and

(b) The term "person" includes any corporation, partnership, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality and other entity, enterprise, association or endeavor of every kind.

ARTICLE 9 - GENERAL PROVISIONS

SECTION 9.1 DISPUTE RESOLUTION

The parties incorporate the dispute resolution provisions contained in ARTICLE 17 of the Franchise Agreement into this Agreement.

SECTION 9.2 AMENDMENTS

A party cannot amend, supplement or change the provisions of this Agreement except by an Amendment to Development Agreement signed by the parties. Only our President has the authority to sign an Amendment to Development Agreement on our behalf.

SECTION 9.3 BINDING EFFECT

The provisions of this Agreement binds, benefits and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

SECTION 9.4 NOTICES

All notices, requests, consents and other communications required or permitted under this Agreement must be in writing and sent by FedEx or UPS addressed to:

If to Us:	If to You:
Gus's Franchisor, LLC	____________________________
Attn: Wendy McCrory, President	Attn: ______________________
5828 Shelby Oaks Drive	____________________________
Memphis, Tennessee 38133	____________________________

or to any other address any party designates by notice complying with the terms of this Section. The parties agree that each notice is deemed delivered on the date delivered by FedEx or UPS.

SECTION 9.5 HEADINGS

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

SECTION 9.6 SEVERABILITY

(a) If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

(b) If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

SECTION 9.7 WAIVERS

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

SECTION 9.8 REMEDIES CUMULATIVE

Except as otherwise stated in this Agreement, no remedy afforded a party in this Agreement is exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

SECTION 9.9 EFFECTIVENESS; COUNTERPARTS

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office in Memphis, Tennessee and our President signs this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same document. Confirmation of signing by sending the signature page by telecopy or e-mail binds the party to the confirmation.

SECTION 9.10 INTERPRETATION

Each of the parties agree that he, she or it has have been or has had the opportunity to have been represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other document should be construed against us.

SECTION 9.11 ENTIRE AGREEMENT

This Agreement represents the entire understanding and agreement between the parties on the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied in this Agreement are of any effect. Nothing in the Agreement disclaims the representations we made in the Franchise Disclosure Document and Exhibits that we furnished to you.

SECTION 9.12 SURVIVAL

All obligations of the parties that expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after its expiration or termination and until they are satisfied or by their nature expire.

SECTION 9.13 LIABILITY OF MULTIPLE DEVELOPERS

If the Developer consists of more than one person, all persons are jointly and individually liable for your obligations under this Agreement.

SECTION 9.14 FORCE MAJEURE

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, natural disaster or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

SECTION 9.15 THIRD PARTIES

Nothing in this Agreement, whether express or implied, confers any rights or remedies under or based on this Agreement on any person other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Agreement.

YOU or YOUR (DEVELOPER):

____

By: ____________________________________

____

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____________________________________

Wendy McCrory, President

EXHIBIT A

DEVELOPMENT AREA

EXHIBIT B

INTERESTS IN DEVELOPER

EXHIBIT E

STATE ADDENDA TO FRANCHISE AND DEVELOPMENT AGREEMENTS

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

This California Addendum to Franchise Agreement is signed on ___________, 2021 between Gus's Franchisor, LLC ("we," "us" or "our") and ____________________________ ("you" or "your") to amend the Franchise Agreement as follows:

1. **California Law**

The California Department of Business Oversight requires that certain provisions contained in the Franchise Agreement be amended to be consistent with California law, including the California Franchise Investment Law. CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

(a) **Nonrenewal and Termination**

California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(b) **General Releases**

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).

(c) **Liquidated Damages**

If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damages clauses may be unenforceable.

(d) **Covenants Not to Compete**

If the Franchise Agreement contains a covenant not to compete that extends beyond the termination of the Franchise Agreement, the covenant may be unenforceable under California law.

(e) **Venue**

If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(f) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(g) **Arbitration**

The Franchise Agreement requires binding arbitration. The arbitration will occur at Shelby County, Tennessee with the costs being born by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including 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.

2. **Alternate Channels of Distribution**

We reserve the right to establish alternatives channels of distribution within your Limited Protected Territory without compensation.

3. **Representations and Warranties**

Sections 15.3, 15 4 and 15.5 are deleted.

4. **Modification of System**

Section 19.3 of the Franchise Agreement may not be enforceable in California pursuant to California Corporations Code Section 31125.

5. **Website**

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.

[SIGNATURE PAGE BELOW]

In Witness Whereof, the parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ___________________________________

Print Name: _____________________________

Title: __________________________________

CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT

This California Addendum to Development Agreement is signed on ___________, 2022 between Gus's Franchisor, LLC ("we," "us" or "our") and_____________________________ ("you" or "your") to amend the Development Agreement as follows:

1. **California Law**

The California Department of Corporations requires that certain provisions contained in the Development Agreement be amended to be consistent with California law, including the California Franchise Investment Law. CAL. BUS. & PROF. CODE Section 31000 *et seq.* and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the Development Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

(a) **Nonrenewal and Termination**

California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the development agreement contains a provision that is inconsistent with the law, the law will control

(b) **General Releases**

You must sign a general release if you renew or transfer your Development Agreement. 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).

(c) **Venue**

If the Development Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

(d) **Governing Law**

If the Development Agreement requires that it be governed by a state's law other than the State of California, the requirement may be unenforceable.

(e) **Arbitration**

The Development Agreement requires binding arbitration. The arbitration will occur at Shelby County, Tennessee with the costs being born by the non-prevailing party. Prospective developers are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Development Agreement restricting venue to a forum outside the State of California.

2. Website

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINSESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

IN WITNESS WHEREOF, the parties have signed and delivered this Addendum on the day and year first written.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ______________________________

Print Name: ______________________________

Title: ______________________________

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is agreed to on ____________, 201 between Gus's Franchisor, LLC (we," "us," or "our") and______________________________ ("you" or "your").

The Illinois Attorney's General's Office requires that certain provisions contained in the Franchise Agreement be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. Ch. 815 ¶¶ 705/1 – 705/44 (1994) (the "Act"). To the extent that the Franchise Agreement contains provisions that are inconsistent with the Act, such provisions are hereby amended:

1. 815 ILCS 705/19 and 705/20 provides rights to you concerning nonrenewal and termination of the Franchise Agreement. If this provision contains a provision that is inconsistent with the Act, the Act will control.

2. 815 ILCS 705/41 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.

3. If you are required to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release will exclude claims arising under the Act, and such acknowledgments are void with respect to claims under the Act and are deleted.

4. Section 17.4 **Jurisdiction and Venue**, is amended to add the following paragraph:

Section 4 of the Illinois Franchise Disclosure Act dictates that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action that otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.

5. Section 17.6 **Governing Law**, is amended in its entirety to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq*. or the United States Arbitration Act, 9.1 *et seq.*), this Agreement and any other agreement between the parties and all transactions contemplated by this Agreement are governed by, and construed and enforced in accordance with the laws of the State of Illinois.

6. Section 17.8 **Limitation of Claims**, is amended in its entirety to read as follows:

No action shall be maintained under Section 26 of the Illinois Franchise Disclosure Act to enforce any liability created by the Act unless brought before the expiration of 3 years after the Act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. No cause of action barred under existing law on the effective date of the Act shall be revived by this Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

7. This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it becomes effective on ________________, 2022.

WE, US, OR OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____________________________________
Wendy McCrory, President

YOU OR YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: _____________________________

Title: __________________________________

<u>ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT</u>

This Addendum to the Development Agreement is agreed to on ____________, 2022 between Gus's Franchisor, LLC ("we," "us" or "our") and_____________________________ ("you" or "your").

The Illinois Attorney's General's Office requires that certain provisions contained in the Development Agreement be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Comp. Stat. Ch. 815 ¶¶ 705/1 – 705/44 (1994) (the "Act"). To the extent that the Development Agreement contains provisions that are inconsistent with the Act, such provisions are hereby amended:

1. 815 ILCS 705/19 and 705/20 provides rights to you concerning nonrenewal and termination of the Franchise Agreement. If this provision contains a provision that is inconsistent with the Act, the Act will control.

2. 815 ILCS 705/41 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.

3. If you are required to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release will exclude claims arising under the Act, and such acknowledgments are void with respect to claims under the Act and are deleted.

4. Section 9.1, **<u>Jurisdiction and Venue</u>**, is amended to add the following paragraph:

   Section 4 of the Illinois Franchise Disclosure Act dictates that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action that otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.

5. Section 9.1, **<u>Governing Law</u>**, is amended to add the following paragraph:

   Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq*. or the United States Arbitration Act, 9 U.S.C. §§ 1 *et seq.*), this Agreement and any other agreement between the parties and all transactions contemplated by this Agreement are governed by, and construed and enforced in accordance with the laws of the State of Illinois.

6. Section 9.1 **<u>Limitation of Claims</u>**, is amended in its entirety to read as follows:

   No action shall be maintained under Section 26 of the Illinois Franchise Disclosure Act to enforce any liability created by the Act unless brought before the expiration of 3 years after the Act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. No cause of action barred under existing law on the effective date of the Act shall be revived by this Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

7. This Amendment is effective only to the extent that the jurisdictional requirements of the Act are met independent of this Amendment. This Amendment has no force and effect if the jurisdictional requirements are not met.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it becomes effective on ________________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ___________________________________

Print Name: ____________________________

Title: _________________________________

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is agreed to on ____________, 2022 between _______________________________________, a _________________________ limited liability company ("we," "us," or "our") and ____ ("you" or "your") to amend the Franchise Agreement as follows:

1. Subsection 10.2(f)(iv), **Transfer by You**, is amended add:

    The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 15.1, **No Reliance,** is amended to add:

    All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

3. Section 15.3 **Receipt of FDD**, is amended to add:

    All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

4. Section 15.4 **Acknowledgment of Risk**, is amended to add:

    All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

5. Subsection 16.2(a)(vii), **Renewal**, is amended to add:

    The Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Section 17.2, **Arbitration,** is amended to added the following:

    A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

7. Section 17.4, **Jurisdiction and Venue**, is amended to add:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

8. Section 17.6, **Governing Law**, is amended to add the following sentence:

Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the franchise.

9. Section 19.14, **ENTIRE AGREEMENT,** is amended to add the following sentence:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

In witness whereof, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it becomes effective on ______________, 2022.

WE, US, or OUR:

____

By: _________________________

____

YOU or YOUR:

____

MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to Development Agreement is agreed to on ____________, 2022 between ____________________ ("we," "us," or "our") and __________________________________ ("you" or "your") to amend the Development Agreement as follows:

1. Section 5.2, **TRANSFER BY YOU**, is amended to add:

   Any Franchise Termination and Release Agreement does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 9.1, **DISPUTE RESOLUTION**, is amended to add the following

   A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law may be brought in Maryland within 3 years after the grant of the franchise.

   A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

3. Section 9.12, **ENTIRE AGREEMENT,** is amended to add:

   All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

In witness whereof, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

WE, US, or OUR:

____

By: __________________________

____

YOU or YOUR:

____

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on ____________, 2022 between Gus's Franchisor, LLC, a Delaware limited liability company ("us" 'we" and "our and ______________________________ ("you" or "your to amend the Franchise Agreement as follows:

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Franchise Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.,*(the "Minnesota Franchise Act") and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, the provisions are amended:

(a) **Trademark Indemnification**

The Minnesota Department of Commerce requires that we indemnify you against liability to third parties from claims by third parties that your use of our trademark infringes trademark rights of the third party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the Franchise, and you must provide us notice of any claim within 10 days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

(b) **Governing Law, Jurisdiction and Venue, and Choice of Forum**

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Franchise Agreement or any other agreement between the parties can abrogate or reduce any of your rights as provided in Minnesota Statutes, chapter 80C, or the Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(c) **Termination and Non-Renewal; Transfer**

With respect to franchises governed by Minnesota Law, we will comply with Minnesota Statutes, Section 80C.14, Subsections 3, 4 and 5, which require (except in certain specified cases) that you be given 90 days' written notice of termination (with 60 days to cure) and 180 days' written notice of non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.

(d) **General Release**

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

(e) **Limitation of Actions**

No action may be commenced under Minnesota Statutes, Section 80C.17, Subd. 5 more than 3 years after the cause of action accrues.

(f) **<u>Injunctive Relief</u>**

Minnesota Rule 2860.4400J provides that you cannot waive any rights. You cannot consent to us obtaining injunctive relief. We may seek injunctive relief.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

IN **WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ________________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

<u>or</u>

____
(Entity) (Print Name of Entity)

By: ________________________________

Print Name: ________________________

Title: ____________________________

<u>MINNESOTA ADDENDUM TO DEVELOPMENT AGREEMENT</u>

This Addendum to Development Agreement is signed on ____________, 2022 between Gus's Franchisor, LLC, a Delaware limited liability company ("us" 'we" and "our") and ________________________________ ("you" or "your) to amend the Development Agreement as follows:

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the Development Agreement be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. §§ 80.01 *et seq.,*(the "Minnesota Franchise Act") and of the Rules and Regulations promulgated under the Minnesota Franchise Act. To the extent that the Development Agreement contains provisions that are inconsistent with the following, the provisions are amended:

(b) **<u>Trademark Indemnification</u>**

The Minnesota Department of Commerce requires that we indemnify you against liability to third parties from claims by third parties that your use of our trademark infringes trademark rights of the third party. We do not indemnify against the consequences of your use of our trademark except in accordance with the requirements of the Franchise, and you must provide us notice of any claim within 10 days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

(b) **<u>Governing Law, Jurisdiction and Venue, and Choice of Forum</u>**

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Development Agreement or any other agreement between the parties can abrogate or reduce any of your rights as provided in Minnesota Statutes, chapter 80C, or the Developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(c) **<u>Termination and Non-Renewal; Transfer</u>**

With respect to Development Rights governed by Minnesota Law, we will comply with Minnesota Statutes, Section 80C.14, Subsections 3,4 and 5, which require (except in certain specified cases) that you be given 90 days' written notice of termination (with 60 days to cure) and 180 days' written notice of non-renewal of the Development Agreement ; and that consent to the transfer of the Development Rights will not be unreasonably withheld.

(d) **<u>General Release</u>**

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

(e) **<u>Limitation of Actions</u>**

No action may be commenced under Minnesota Statutes, Section 80C.17, Subd. 5 more than 3 years after the cause of action accrues.

(f) **Injunctive Relief**

Minnesota Rule 2860.4400J provides that you cannot waive any rights. You cannot consent to us obtaining injunctive relief. We may seek injunctive relief.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ______________________________

Print Name: ______________________________

Title: ______________________________

<u>NEW YORK ADDENDUM TO FRANCHISE AGREEMENT</u>

This Addendum to Franchise Agreement is agreed on ___________, 2022 between Gus's Franchisor, LLC ("we," "us" or "our") and ____ ("you" or "your") to amend the Franchise Agreement as follows:

1. **<u>New York Law Modifications</u>**

The New York Department of Law requires that certain provisions contained in the Franchise Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

(a) **<u>Release of Claims</u>**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

(b) **<u>Governing Law</u>**

If the Franchise Agreement requires that it be governed by a state's law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. **<u>Jurisdictional Requirements</u>**

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

[SIGNATURES ON PAGE BELOW]

IN WITNESS WHEREOF, the parties have signed and delivered this Amendment on the day and year first written.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: ____________________________

Title: _________________________________

NEW YORK ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to Development Agreement is agreed on ___________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and ____ ("you" or "your") to amend the Development Agreement as follows:

1. **New York Law Modifications**

The New York Department of Law requires that certain provisions contained in the Development Agreement be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Development Agreement contains provisions that are inconsistent with the following provisions those provisions are amended as follows:

(a) **Release of Claims**

If you are required in the Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, representation or action that would violate the General Business Law, regulation, rule or order under the Law, the release must exclude claims arising under the New York General Business Law, Article 33, Sections 680 through 695 and its regulations, and any acknowledgments are void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

(b) **Governing Law**

If the Development Agreement requires that it be governed by a state's law other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. **Jurisdictional Requirements**

Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

[SIGNATURES ON PAGE BELOW]

IN WITNESS WHEREOF, the parties have signed and delivered this Amendment on the day and year first written.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

<u>or</u>

____
(Entity) (Print Name of Entity)

By: ______________________________

Print Name: ______________________________

Title: ______________________________

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on ______________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and ________________________________ ("you" or "your").

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) Covenants not to compete during the term or upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete, which is inconsistent with North Dakota law, the covenant may be unenforceable.

(c) If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void as to any claims under the North Dakota Franchise Investment Law.

(d) If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(e) If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(f) If the Franchise Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(g) Any provision in the Franchise Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Franchise Agreement, the terms of this Addendum govern.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective on ____________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ___________________________________

Print Name: ____________________________

Title: _________________________________

NORTH DAKOTA ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to Development Agreement is signed on ______________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and ________________________________ ("you" or "your").

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Development Agreement contains provisions that are inconsistent with the following provisions are amended:

(a) If you are required in the Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, the release excludes claims arising under the North Dakota Franchise Investment Law, and any acknowledgments are void as to claims under the Law.

(b) If the Development Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void as to any claims under the North Dakota Franchise Investment Law.

(c) If the Development Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that the law conflicts with the North Dakota Franchise Investment Law, the North Dakota Law will control.

(d) If the Development Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon before the arbitration or if the parties cannot agree on a location, the arbitrator will determine the location.

(e) If the Development Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

(f) Any provision in the Development Agreement which requires you to consent to a waiver of exemplary and punitive damages will not apply to any claims brought under the under the North Dakota Franchise Investment Law.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law as to each provision are met independent of this Addendum. A provision has no force or effect if the jurisdictional requirements are not met independent of this Addendum. If this Addendum is inconsistent with any terms of the Development Agreement , the terms of this Addendum govern.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective on ____________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

<u>or</u>

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: ______________________________

Title: __________________________________

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is agreed to on ____________, 2022 between Gus's Franchisor, LLC, a Delaware limited liability company ("we" "us" or "our") and __________________________ ("you" or "your").

1. The Rhode Island Securities Division requires that certain provisions contained in the Franchise Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the "Act"). To the extent that the Franchise Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Franchise Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Franchise Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Franchise Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

[SIGNATURES ON PAGE BELOW]

In Witness Whereof, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it becomes effective on ________________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

<u>or</u>

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: _____________________________

Title: __________________________________

RHODE ISLAND ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to the Development Agreement is agreed to on ____________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and ___________________________ ("you" or "your").

1. The Rhode Island Securities Division requires that certain provisions contained in the Development Agreement be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R. I. Gen. Law Ch. 395 Sec. 19-28.1-1 to 19-28.1-34 (the "Act"). To the extent that the Development Agreement contains provisions that are inconsistent with the Act, the provisions are amended:

(a) **Venue**

If the Development Agreement requires litigation or arbitration to be conducted in a forum other than the State of Rhode Island, the requirement is void under the Act.

(b) **Governing Law**

If the Development Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that this law conflicts with the Act, the Act will control.

(c) **Release of Claims**

If you are required in the Development Agreement to sign a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release exclude claims arising under the Act, and the acknowledgments are void as to claims under the Act.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Amendment. This Amendment has no force or effect if the jurisdictional requirements are not independently met.

[SIGNATURES ON PAGE BELOW]

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it becomes effective on ________________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ______________________________________
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: _____________________________

Title: __________________________________

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on _________________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and _________________________ ("you" or "your") to amend the Franchise Agreement as follows:

1. Section 17.6 is amended to read as follows:

   Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq*.), this Agreement and any other agreement involving this Agreement and all transactions contemplated by this Agreement and any other agreement involving this Agreement shall be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms, and agrees it shall become effective on ________________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ___________________________________

Print Name: _____________________________

Title: ________________________________

VIRGINIA ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to Development Agreement is signed on __________________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and ___________________________ ("you" or "your") to amend the Development Agreement as follows:

1. Section 9.2 is amended to read as follows:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et seq*.), the Development Agreement and any other agreement involving the Development Agreement and all transactions contemplated by the Development Agreement and any other agreement involving the Development will be governed by, and construed and enforced in accordance with the Virginia Retail Franchising Act, without giving effect to its choice of law or conflicts of law.

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum, understands and consents to be bound all of its terms, and agrees it shall become effective on ________________, 2022.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: _____________________________________

Print Name: ______________________________

Title: ___________________________________

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement is signed on ____________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and __________________________ ("you" or "your") to amend the Franchise Agreement as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal rights of your Franchise. There may also be court decisions that may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal by us.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site must be either in the State of Washington, or in a place mutually agreed upon when the dispute arises, or as determined by the arbitrator.

3. Upon a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW prevails.

4. A release or waiver of rights you sign will not include rights under the Washington Franchise Investment Protection Act except when signed as part of a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act including the right to a jury trial may not be enforceable.

5. Transfer fees are collectable to the extent that they may reflect our reasonable estimated or actual costs in effecting a transfer.

[SIGNATURES ON PAGE BELOW]

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum understands and consents to be bound by all of its terms.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ________________________________

Print Name: ___________________________

Title: ______________________________

WASHINGTON ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum to Development Agreement is signed on ____________, 2022 between Gus's Franchisor, LLC ("we" "us" or "our") and _________________________ ("you" or "your") to amend the Development Agreement as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Development Agreement in your relationship with us including the areas of termination and renewal rights of your Development Rights. There may also be court decisions that may supersede the Development Agreement in your relationship with us including the areas of termination and renewal by us.

2. In any arbitration involving Development Rights purchased in Washington, the arbitration site must be either in the State of Washington, or in a place mutually agreed upon when the dispute arises, or as determined by the arbitrator.

3. Upon a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW prevails.

4. A release or waiver of rights you sign will not include rights under the Washington Franchise Investment Protection Act except when signed as part of a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act including the right to a jury trial may not be enforceable.

5. Transfer fees are collectable to the extent that they may reflect our reasonable estimated or actual costs in effecting a transfer.

[SIGNATURES ON PAGE BELOW]

IN WITNESS WHEREOF, each of the undersigned acknowledges having read this Addendum understands and consents to be bound by all of its terms.

WE, US, or OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

YOU or YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____________________________________

Print Name: ______________________________

Title: _________________________________

EXHIBIT F

ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Franchisee: ____________________________
Location: ____________________________
Date: ____________________________

____ NEW ____ CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes Gus's Franchisor, LLC, its parent company or any affiliated entity (collectively, "GF"), to initiate monthly ACH debit entries and, if necessary, debit/credit correction and adjustment entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Advertising Fees or other amounts that become payable by the undersigned to GF. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by GF.

This authorization is binding and will remain in full force and effect until 120 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

*** We also need a VOIDED Check ***

Sincerely,

By: ____

Title: ____

Date: ________________________, 2022

Bank Name	Account Name
Branch Address	Street Address
City, State, Zip Code	City, State, Zip Code
Bank Telephone Number	Telephone Number
Bank's Routing Number	Customer's Account Number

EXHIBIT G

AFFILIATED SELLER AGREEMENT

AFFILIATED SELLER AGREEMENT

THIS AFFILIATED SELLER AGREEMENT ("ASA") is signed on _________________, 2022 among __________________________ (the "Processor"), _____________________ (the "Affiliated Seller") and Gus's Franchisor, LLC (the "Client").

BACKGROUND

A. The Client and the Processor entered into a Stored Value Card Processing Agreement dated as of _____________________ _______, 20__, as amended and supplemented from time to time (the "Client Agreement").

B. The Affiliated Seller, is a franchisee of the Client and desires to receive and the Processor desires to provide Services in accordance with the Client Agreement terms and the terms of this ASA.

The parties agree as follows:

TERMS

1. **Representations and Warranties of Affiliated Seller**. The Affiliated Seller represents and warrants that the Affiliated Seller: (i) has received and reviewed a true and correct copy of the Client Agreement from the Client; and (ii) subject to the limitations provided in this ASA, agrees to be bound by the Client Agreement to the same extent as if it were the "Client" whenever the context requires Client performance (and irrespective of whether the term "Client" is expressly mentioned). The Affiliated Seller appoints the Client as its representative with the Processor for all matters arising out of or relating to the Client Agreement including all matters that involve Client Agreement negotiation, modification and/or dispute resolution. The Affiliated Seller agrees that the Affiliated Seller is solely responsible for communicating with the Client concerning the status of such matters and the Client Agreement. The Affiliated Seller represents and warrants that the Processor is entitled to communicate information concerning the Affiliated Seller, including its Confidential Information, its Program, Program Procedures, Cardholders and Card Data to the Client and to rely upon any statements made by the Client related thereto to the same extent as if the Processor were dealing directly with a duly authorized representative of the Affiliated Seller.

2. **Client Agreement**. The Client agrees to be jointly and severally liable for the Affiliated Seller's obligations arising out of the Client Agreement. Each Affiliated Seller is not responsible for the

obligations of the Client or another Affiliated Seller arising out of the Client Agreement. The Affiliated Seller agrees that the Affiliated Seller's rights under this ASA will terminate immediately without need of notification from the Processor on the termination or expiration of this ASA.

3. **Issuance of Gift Cards**. Notwithstanding anything to the contrary in this ASA, (i) the Client will be the sole issuer of all Gift Cards issued under the Program, including with respect to all Gift Cards sold at Gus's® Restaurants operated by the Affiliated Seller, and (ii) the Client is solely responsible for the responsibilities set forth in Subsection 3(b) of the Client Agreement.

4. **Indemnification**. The Client indemnifies the Affiliated Seller for escheatment claims by any State as follows:

(a) For escheatment claims related to Gift Cards sold at any time period before__________________, 20__, the Client provides no indemnification.

B. For escheatment claims related to Gift Cards sold during the time between __________________, 20__ and __________________, 20__, the Client will indemnify the Affiliated Seller up to the amount remitted by the Affiliated Seller to the Client for this period of time.

C. For escheatment claims related to Gift Cards sold after __________________, 20__, the Client indemnifies the Affiliated Seller up to the amount remitted by the Affiliated Seller to the Client for this period of time.

5. **Limitation of Liability**. Anything to the contrary notwithstanding, the Affiliated Seller agrees that Processor's cumulative aggregate liability under the Client Agreement to the Client and all Affiliated Sellers are subject to the limitations set forth in Section 14 of the Client Agreement. For example, if the Client and one additional Affiliated Seller participate under the Client Agreement, the Processor's cumulative aggregate liability to the Client and such Affiliated Seller for direct damages will not exceed $250,000 and will not include any liability for claims arising out of or relating to services and/or items supplied by the Card Company.

6. **Conflict**. Should a conflict exist between the provisions of the Client Agreement and this ASA, this ASA will control. Terms in initial capital letters or all capital letters used as a defined term but not defined in this ASA will have the meaning set forth in the Client Agreement. References to this ASA in any document now or hereafter attached to or referenced to this ASA will mean this ASA as amended or supplemented from time to time.

7. **Dispute Resolution**. The dispute resolution provisions contained in Section 17 of the Gus's Franchise Agreement between the Client, as Franchisor and the Affiliated Seller, as Franchisee, are incorporated into this Agreement.

IN WITNESS WHEREOF, the parties have caused this ASA to be signed by their authorized representatives as of the date first set forth above.

PROCESSOR:

____

By: _______________________________________

Print Name: ___________________________

Title: ________________________________

AFFILIATED SELLER:

____

By: _______________________________________

Print Name: ___________________________

Title: ________________________________

CLIENT:

GUS'S FRANCHISOR, LLC

By: _______________________________________
Wendy McCrory, President

EXHIBIT H

GUARANTY OF FRANCHISEE'S OBLIGATIONS

GUARANTY OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AGREEMENT (this "Guaranty") is signed as of ____________________ ________, 2022, by ____ (the "Guarantor").

INTRODUCTION

WHEREAS, Gus's Franchisor, LLC, a Delaware limited liability company (the "Franchisor") is granting to ___________________________ (the "Franchisee") Gus's® Development Rights and/or a Gus's® Franchise(s);

WHEREAS, the Guarantor represents and warrants to the Franchisor that he or she will benefit by the grant to the Franchisee of the Development Rights and/or Franchise; and

WHEREAS, the Franchisor has declined to enter into the Gus's Development Agreement, the Gus's Franchise Agreement, any agreement attached as an exhibit to the Franchise Disclosure Document of Franchisor or any other agreements (collectively, the "Agreements") with the Franchisee unless the Guarantor signs and delivers this Guaranty to the Franchisor.

TERMS

NOW, THEREFORE, for and in consideration of the grant to the Franchisee of the Development Rights and/or Franchise, and other good and sufficient consideration, the receipt and adequacy of which is hereby acknowledged by Guarantor, the Guarantor hereby agrees for the benefit of the Franchisor and its Affiliates as follows:

1. **Guaranteed Obligations.** THIS GUARANTY IS A CONTINUING, IRREVOCABLE, ABSOLUTE, AND UNCONDITIONAL GUARANTY. The Guarantor absolutely and unconditionally, guarantees to the Franchisor and its Affiliates, and their respective successors and assigns, for the respective terms of the Agreements and thereafter as provided in the Agreements, that the Franchisee will punctually pay and perform every obligation stated in the Agreements and Guarantor agrees to be personally bound by, and personally liable for the breach of, every term of the Agreements, together with charges, fees and all expenses (including attorneys' fees and costs, including arbitration, appellate, bankruptcy and post-judgment proceedings) incurred in obtaining payment or enforcing performance of this Guaranty (the "Guaranteed Obligations"). The Guarantor's obligations are absolute and unconditional irrespective of the validity or enforceability of any of the Agreements. This Guaranty covers and secures any amount at any time owing on the Guaranteed Obligations. This Guaranty remains in full effect until all Guaranteed Obligations have been satisfied and all amounts due to the Franchisor have been paid in full. The Guarantor waives the benefit of any circumstance, defense or statute of limitations affecting his

or her liability that might otherwise discharge a guarantor or hinder prompt enforcement of this Guaranty. The Guarantor irrevocably waives any requirement that the Franchisor must proceed against or exhaust any collateral or security that the Franchisor may now hold or obtain for any of the Guaranteed Obligations before collecting from the Guarantor. In the event of the death, incompetency, dissolution, liquidation, insolvency of, or the institution of bankruptcy or receivership proceedings by or against the Franchisee, all the indebtedness of the Franchisee to Franchisor (including, without limitation, any indebtedness of the Franchisee that results from termination of any of the Franchise Agreements) then existing shall, for purposes of this Guaranty, and at the option of Franchisor, immediately become due and payable from the undersigned.

2. **Incorporation of Terms.** The terms of the Agreements are incorporated in this Guaranty as if stated in full, including the covenants stated in ARTICLE 13 and the dispute resolutions provisions stated in ARTICLE 17 of the Franchise Agreement of which Guarantor agrees to be bound. Further, all capitalized terms, not elsewhere defined herein, shall have the meaning set forth in the Franchise Agreement. The Guarantor has had an opportunity to read and receive advice by his or her counsel of the terms of the Agreements and the Franchisor's Franchise Disclosure Document.

3. **Payment.** If the Franchisee fails to make any payment when due or otherwise defaults under the terms of any of the Guaranteed Obligations, the Guarantor will pay to the Franchisor immediately upon demand the full amount of the Guaranteed Obligations then due (by acceleration or otherwise), in immediately available funds. All payments shall be made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of the Guarantor except the defense that the Franchisee has paid in full all Guaranteed Obligations.

4. **Enforcement.** In any proceeding under this Guaranty, the Franchisor may act against the Guarantor separately, or against two or more Guarantors jointly, or against some separately and some jointly. In any action or proceeding to enforce this Guaranty against the Guarantor, the Franchisor is not required to join the Franchisee, or any other Guarantor, unless it elects to do so in its sole discretion.

5. **Waiver.** The Guarantor irrevocably waives notice of the extension of any Guaranteed Obligation, or of the acceptance of this Guaranty, and protest, presentment, diligence, demand for payment, notice of default, nonpayment or dishonor of any Guaranteed Obligation, and any other notice except as expressly provided in this Guaranty.

6. **Consent to Certain Actions.** Without in any way affecting or impairing the liability of the Guarantor and, without notice to or additional consent from that Guarantor: (a) the Guaranteed Obligations may be renewed, extended, modified (in time for payment or the terms of indebtedness or otherwise), compromised, settled, released or discharged by the Franchisor, whether by agreement with the Franchisee or under any insolvency, bankruptcy or similar proceeding; (b) any security or collateral for the Guaranteed Obligations may be assigned, exchanged, sold, released or surrendered by the Franchisor, and the Franchisor may abstain from perfecting its security interest in any security or collateral, or from taking upon new security or collateral; (c) the Franchisor may exercise or refrain from exercising any right against the Franchisee or any other person or entity; (d) the Franchisor, in its sole discretion, may apply any sums received to any liabilities of the Franchisee or any other person or entity to the Franchisee, in any order the Franchisor elects; (e) the Franchisor may consent to or waive any breach of, or any act, omission or default of, the Guaranteed Obligations; (f) the Franchisor may agree to any amendment to or modification of, any of the Agreements, applicable to the Guaranteed Obligations; or (g) the Franchisor may release or partially release any other guarantors (if any) of the Guaranteed Obligations, or add another guarantor or other guarantors. The Franchisor has no duties to the Guarantor except as expressly provided in this Guaranty.

7. **Continuing Guaranty.** The guarantee of the Guarantor under this Guaranty continues to be effective, or is reinstated, as the case may be, if at any time any payment to the Franchisor of the Guaranteed Obligations is rescinded or must otherwise be returned for any reason, including the insolvency, bankruptcy or reorganization of the person or entity making the payment, all as though the payment had not been made.

8. **Successors and Assigns.** No Guarantor may delegate any of his or her obligations under this Guaranty. This Guaranty is binding upon the heirs, personal representatives, successors and assigns of the Guarantor, and inures to the benefit of the Franchisor, its affiliates, and their respective successors and assigns. The Franchisor may at any time, without notice to the Guarantor, transfer or assign to any person or entity all rights accruing hereunder, including, but not limited to, any of the Guaranteed Obligations, or any interest in the Guaranteed Obligations. Every immediate and successive assignee or transferee of the Guaranteed Obligations, or any interest in the Guaranteed Obligations is, to the extent of its interest, entitled to the benefits of this Guaranty to the same extent as if the assignee or transferee were the Franchisor.

9. **Representations and Warranties.** The Guarantors, jointly and individually, represent as follows:

(a) The Guarantor has the capacity to enter into, perform and deliver this Guaranty;

(b) This Guaranty is the legal, valid, binding and enforceable obligation of the Guarantor;

(c) There is no litigation or governmental proceeding pending or threatened against the Guarantor, nor has there occurred any event, nor does there exist any condition, on the basis of which any litigation or proceeding might be begun, which litigation or proceeding, if adversely determined, could have a material adverse effect on the respective properties, operations, assets, condition (financial, business, labor or otherwise) or prospects of the Guarantor; and

(d) The Guarantor has independent means of obtaining reports and financial information about the Franchisee and the Franchisor has no obligation, either before the signing of this Guaranty or any time thereafter, to notify the Guarantor concerning the Franchisee's financial condition or of any event or occurrence affecting the Franchisee's financial condition or business operation.

10. **Notices.** Any notice or demand required or permitted to be given under this Guaranty to the Guarantor and any and all other notices and other communications given or made to Guarantor pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to Guarantor, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the Guarantor or recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Guarantor at the address, e-mail address or facsimile number set forth below or at such other address, e-mail address or facsimile number as shall be specified by notice given in accordance with this section.

____
____
____
____

11. **Subordination and Subrogation.** Until the Guaranteed Obligations have been paid in full, the Guarantor subordinates and assigns all direct or indirect claims and rights that he or she may have against the Franchisee, now existing or later arising, to all claims by the Franchisor for amounts owing from the Franchisee to the Franchisor for the Guaranteed Obligations.

12. **Miscellaneous.** This Guaranty contains the entire agreement of the Guarantor and is not subject to any oral conditions. Time is of the essence for the terms of this Guaranty. This Guaranty cannot be changed or modified orally. Upon request from the Franchisor, the Guarantor will provide to the Franchisor all information regarding his or her financial condition and business operations as the Franchisor requests including personal financial statements. This Guaranty is deemed and treated as being drafted jointly by the Guarantor and the Franchisor. No term of this Guaranty is construed more strictly against the Guarantor or the Franchisor because the Franchisor, or its counsel, was responsible for the physical preparation of this Guaranty. The terms of this Guaranty shall be interpreted and construed in accordance with the laws of the State of Tennessee. If Franchisor institutes an action that in any way arises out of this Guaranty or any alleged breach hereof, Guarantor will reimburse Franchisor, upon demand, for all reasonable expenses incurred in connection therewith (including, without limitation, reasonable attorneys' fees), whether or not suit is actually instituted. Guarantor agrees that any action relating to this Guaranty may be instituted and prosecuted in either the state or federal courts located in Shelby County, Tennessee, and further agrees to waive any rights or objections to the jurisdiction or venue of any such actions when filed in such courts. The failure, omission or delay by Franchisor in exercising its rights hereunder in the event of a default (as described in the Agreements) by Franchisee shall not constitute the waiver of any such default, or of any of the rights or remedies to which Franchisor is entitled under the Agreements, this Guaranty or any other instrument. This Guaranty shall remain in full force and effect so long as any Guaranteed Obligations remain unpaid or otherwise unsatisfied.

[SIGNATURE PAGE BELOW]

IN WITNESS WHEREOF, the Guarantor signed this Guaranty on the date stated above.

GUARANTOR

Sign: ____

Print: ____

EXHIBIT I

FRANCHISOR AGREEMENT WITH LANDLORD

FRANCHISOR AGREEMENT WITH LANDLORD

THIS AGREEMENT is signed as of ____________________, 2022 by and among Gus's Franchisor, LLC, a Delaware limited liability company (the "Franchisor"), _____________________ (the "Landlord"), and ____________________________ (the "Tenant").

WHEREAS, Tenant is a franchisee of Franchisor under a Gus's franchise agreement between Franchisor and Tenant (the "Franchise Agreement") for the operation of a Gus's World Famous Fried Chicken® franchise ("Gus's Restaurant");

WHEREAS, Landlord and Tenant are parties to a Lease Agreement dated _________________________, 20__ (the "Lease") for the premises located at _______________________ (the "Premises") that has been approved by Franchisor on condition that all the parties sign this Agreement; and

WHEREAS, in order to assure that a Gus's Restaurant continues to operate at the Premises, Landlord grants certain rights to Franchisor under the Lease to protect Franchisor's interest in Gus's Restaurant and under the Franchise Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Signage.** Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

   (a) Landlord agrees to allow Tenant to use Franchisor's standard sign, facade and awning package to the maximum extent permitted by local governmental authorities.

   (b) Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

2. **Use of Premises**. Landlord and Tenant agree that Tenant may only use the Premises for the operation of Gus's Restaurant, unless Franchisor otherwise approves in writing, which may include the sale of wine, beer, and alcohol, provided Tenant obtains proper governmental approvals. Tenant's hours of operation shall be determined by Franchisor's requirements that are in place for Franchisor's franchisees. Landlord acknowledges that Tenant's proposed use does not violate any local zoning restrictions nor any restrictive covenants or existing exclusive uses granted to any other tenant of Landlord in the building/center or adjacent outparcel owned by Landlord in which the Premises are located. Landlord further acknowledges that, during the

term of the Lease or any extension of the Lease, Landlord will not lease space within the building, center or outparcel to a restaurant that features chicken as its main food service offering. Tenant shall be permitted to make any non-structural alterations or improvements to the Premises without consent of Landlord as may be required by Franchisor from time to time in order for the Tenant to comply with Franchisor's operating standards and requirements.

3. **<u>Compliance of Premises With Applicable Law; Parking.</u>** Landlord represents and warrants that, as of the date hereof, the Premises are in compliance with all applicable law, including without limitation parking sufficient to comply with the use of the Premises as provided in Section 2 above. Tenant shall have the right to use parking spaces for its guests, invitees and employees in an amount at least sufficient to comply with applicable zoning and other laws. The use of the parking spaces is provided by Landlord to Tenant without additional charge. Landlord shall not reduce parking during the term of the Lease that would materially affect availability of parking for Tenant's guests, invitees and employees.

4. **<u>Notice and Cure Rights of Franchisor; Assignment in the Event of Default.</u>** Prior to exercising any remedies under the Lease or hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) thirty (30) days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Gus's Franchisor, LLC
Attn: President
5828 Shelby Oaks Drive
Memphis, Tennessee 38133

With Copy to: Evans Petree PC
Attn: Joel Sklar, Esq.
1715 Aaron Brenner Drive, Suite 800
Memphis, TN 38120

If Franchisor cures Tenant's default, Franchisor has the right to occupy the Premises and operate Gus's Restaurant and, if Franchisor elects to do so by providing written notice of same, Tenant shall be deemed to have assigned the Lease to Franchisor, provided that, from and after the deemed assignment, Franchisor will assume and perform all of the obligations of Tenant under the Lease until a new franchisee assumes the Lease, and Franchisor shall thereafter be released once a new franchisee assumes the Lease, provided Tenant and any guarantors shall not be released from their obligations under the Lease without prior written approval from Landlord.

5. **Assignment of Lease Agreement.** Landlord acknowledges that Tenant intends to operate a Gus's Restaurant in the Premises, and that Tenant's rights to operate a Gus's Restaurant and to use the proprietary food and recipes, Gus's World Famous Fried Chicken® name, trademarks and service marks are solely pursuant to the Franchise Agreement. Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to Tenant's, Franchisor's and/or any other franchisee's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard Franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that, simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee notwithstanding anything contrary in the Lease.

6. **Franchisor's Rights Upon Termination or Expiration of Franchise Agreement.** Landlord acknowledges that any landlord's lien or security interest does not include any property of Tenant that is comprised of Franchisor's intellectual property, including but not limited to, recipes, food products, and items bearing Franchisor's trademarks including the signage or proprietary trade dress (the "Proprietary Items"). If Franchisor does not take occupancy of the Premises and does not assume the Lease, Landlord agrees that Franchisor shall have the right, upon reasonable notice to Landlord, to enter the Premises solely for the purposes of taking all steps necessary to retrieve the Proprietary Items (without damage to the Premises) and otherwise protect its interest under the Franchise Agreement.

7. **Condemnation of Premises.** In the event of a whole or partial condemnation of the Premises and the Lease provides that Tenant has the right to terminate if Tenant is unable to operate as a Gus's Restaurant, such determination shall be made solely by Franchisor in its discretion.

8. **Modification of Common Areas**. Landlord and Tenant acknowledge that Franchisor approved the Premises for the operation of a Gus's Restaurant on many factors, including, but not limited to, the visibility and the availability of particular ingress/egress to the Premises. Landlord shall not be permitted to modify the common areas of the center of which the Premises is a part, if applicable, if such modification would have a materially adverse effect on the visibility or ingress/egress to the Premises.

9. **Modification of Lease.** Landlord and Tenant will not make any material

modifications to the Lease without Franchisor's written consent, which consent Franchisor will not be unreasonably withheld, delayed or conditioned.

10. **Non-disturbance from Mortgage Lenders.** Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time).

11. **Attorneys' Fees**. If a party institutes any action to enforce any provision of this Agreement, the prevailing party is entitled to recover all attorneys' fees and costs incurred in connection with the action from the non-prevailing party.

12. **Governing Law**. This Agreement is governed by and construed in accordance with the laws of the state in which the Premises are located.

13. **Conflict.** Upon any inconsistency between this Agreement and the terms of the Lease, this Agreement supersedes and controls.

14. **Binding Effect.** This Agreement is binding upon the personal representatives, heirs, successors and assigns of the parties.

15. **Counterparts.** This Agreement may be executed in multiple counterparts, each one of which shall be deemed an original, but all of which shall be considered together as one and the same instrument. Execution by a party of a signature page hereto shall constitute due execution and shall create a valid, binding obligation of the party so signing, and it shall not be necessary or required that the signatures of all parties appear on a single signature page hereto.

16. **Facsimile/Electronic Signature.** Delivery of the executed signature pages to this Agreement may be made by facsimile or other electronic transmission. Any such signature pages sent by facsimile or other electronic transmission shall be deemed to be originals for all purposes, and copies of this Agreement containing one or more signature pages that have been delivered by facsimile or other electronic transmission shall constitute enforceable original documents.

17. **Waiver of Jury Trial. THE PARTIES HEREBY IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IN ANY ACTION, SUIT OR PROCEEDING RESULTING FROM, ARISING OUT OF OR RELATING TO THIS AGREEMENT**.

18. **Entire Agreement.** The provisions set forth herein constitute the entire

Agreement between the parties with respect to the subject matter hereof and supersede all previous communications, representations or Agreements, whether oral or written, between the parties relating to the subject matter hereof.

19. **Severability**. If any one or more of the provisions of this Agreement is, for any reason, held to be invalid, illegal, or unenforceable in any respect by any court or competent jurisdiction, such invalidity, illegality, and unenforceability shall not affect the validity, legality, and unenforceability of the other provisions hereof, and this Agreement shall be construed as though such invalid, illegal, or unenforceable provision had never been contained herein.

20. **Conflict with Lease**. In the event that this Agreement conflicts with the Lease, this Agreement shall control.

IN WITNESS WHEREOF, this Agreement has been signed the date and year first above written.

FRANCHISOR:

GUS'S FRANCHISOR, LLC

By: ______________________________
Wendy McCrory, President

LANDLORD:

By: ______________________________

Name: ______________________________

Title: ______________________________

TENANT:

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT J

TELEPHONE NUMBER ASSIGNMENT

TELEPHONE NUMBER AND DIRECTORY ADVERTISING ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is signed on ____________, 2022, between Gus's Franchisor, LLC, a Delaware limited liability company ("we," "us" or "our") and _________________________________ ("you" or "your").

BACKGROUND

A. The parties have entered into a Gus's Franchise Agreement on ________________________, 20__ (the "Franchise Agreement").

B. As a condition to signing the Franchise Agreement, we have required that you assign to us all of your right, title and interest in the telephone numbers, telephone listings, facsimile numbers, and telephone directory advertisements relating to the Gus's Franchise (the "Restaurant") upon the expiration or termination of the Franchise Agreement

The parties agree as follows:

TERMS

1. **Assignment**. In order to secure continuity and stability of our operation of the Restaurant, immediately upon the expiration or termination of the Franchise Agreement, this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, facsimile numbers, telephone listings and telephone directory advertisements, whether on the Internet or in print, pursuant to which you operate your Restaurant in accordance with the terms of the Franchise Agreement without further action on your part.

2. **Assumption.** Immediately upon the expiration or termination of the Franchise Agreement, in consideration of the transfer of telephone service for the telephone numbers, we may assume and pay all future obligations for the telephone numbers, including the payment of all charges for future local and long distance service, telecommunications equipment, toll credit cards, public telephone service and equipment and directory advertising existing.

3. **Your Representation and Warranties**. You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone services, telephone listing services and telephone directory advertisement services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal and binding obligation enforceable in accordance with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers, telephone listings and telephone directory advertisements, and you have obtained all necessary consents to this Assignment.

4 **Other Documents**. You agree to sign any other documents required by the telephone service provider and/or publisher required to make the assignment effective.

5. **Miscellaneous**. The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (currently, Tennessee). All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has signed this Assignment as of the day and year first written above.

YOU OR YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____

Print Name: ______________________________

Title: ___________________________________

WE, US, OR OUR (FRANCHISOR):

GUS'S FRANCHISOR, LLC

By: ____
Wendy McCrory, President

EXHIBIT K

LIST OF FRANCHISEES

(a) **<u>Operational Franchisees</u>.** The following are the names, business addresses and telephone numbers of the 27 Gus's Restaurants Franchisees in the United States as of December 31, 2021, who are operational:

1. Chicken Fried Birmingham, LLC
   Justin Worley
   2201 2nd Ave S
   Birmingham, Alabama 35233
   T: 205.538.5337

2. City Fried, LLC
   Jennifer Malloy
   300 President Clinton Avenue, Suite D
   Little Rock, Arkansas 72201
   T: 501.372.2211

3. GFC Burbank LLC*
   Raehan Qureshi
   509 S. Glenoaks Blvd.
   Burbank, California 91502
   T: 747.231.3990

4. GFC Warren LLC*
   Raehan Qureshi
   2580 Long Beach Blvd
   Long Beach, California 90806
   T: 562.276.1819

5. GFC Arlington, LLC*
   Raehan Qureshi
   1262 Crenshaw Boulevard
   Los Angeles, California 90019
   T: 323.402.0232

6. GFC Longview LLC*
   Raehan Qureshi
   1420-1444 Broadway, Suite 1430
   Oakland, California 94612
   T: 510.626.9880

7. GFC Babylon LLC*
   Raehan Qureshi
   102 N Sycamore Street
   Santa Ana, California 92701
   T: 949.336.3936

8. BCS Restaurant Ventures, LLC*
Shannon Brown
The Mall at Peachtree Center, Suite A-5
231 Peachtree Street NE
Atlanta, Georgia 30303
T: 404.996.2837

9. BCS Restaurant Ventures III, LLC*
Shannon Brown
5486 Peachtree Road
Chamblee, Georgia 30341
T: 770.557.0839

10. BCS Restaurant Ventures II, LLC*
Shannon Brown
6518 Roswell Road
Sandy Springs, Georgia 30328
T: 678.974.2466

11. Schmaltz Hospitality, Chicago 1, LLC*
Zack Sklar
847 W Fulton Market
Chicago, Illinois 60607
T: 312.733.1971

12. Schmaltz Hospitality, Chicago 2, LLC*
Jim Bellinson
401 North State Street
Chicago, Illinois 60654
T: 312.285.2882

13. Fowl Friendship, LLC*
Daniel Bryant and Stephen Zanone
2816 W 47th St.
Kansas City, Kansas 66103
T: 913.232.7091

14. Southern Fried Hospitality, LLC
Richard Wallace Oyler
333 East Vine Street
Lexington, Kentucky 40507
T: 859.523.8008

15. Crossing Lines – New Orleans, LLC
Wendy McCrory
308 S Diamond Street
New Orleans, Louisiana 70130
T: 504.252.4870

16. Schmaltz Hospitality Detroit, LLC*
Zack Sklar
4101 Third Street
Detroit, Michigan 48201
T: 313.818.0324

17. Schmaltz Hospitality, Royal Oak, LLC*
Zachary Goodman
31105 Woodward Avenue
Royal Oak, Michigan 48073
T: 248.677.4433

18. Schmaltz Hospitality, Westland, LLC*
Zack Sklar
35505 Ford Road
Westland, Michigan 48185
T: 734.728.6170

19. Chicken Fried Oxford, LLC
Justin Worley
306 South Lamar Boulevard
Oxford, Mississippi 38655
T: 662.638.3420

20. Crossing Lines – Southaven, LLC
Wendy McCrory
787 Goodman Road East
Southaven, Mississippi 38671
T: 662.349.2200

21. Pollo Club Ventures, LLC
James Zimmerman
7434 Manchester Rd.
Manchester, Missouri 63143
T: 314.899.9899

22. Wolflake Investment Group, LLC
Ayman Jibrian
2965 North Germantown Road, Suite 111
Bartlett, Tennessee 38133
T: 901.373.9111

23. Rocky Top GFSFC, LLC
Philip Sampietro
3101 Southerland Avenue
Knoxville, Tennessee 37919
T: 865.200.5468

24. Barnyard Chicken, LLC
Tripp Carter
730 South Mendenhall Road
Memphis, Tennessee 38117
T: 901.767.2323

25. Austin Allfry, LLC
Robert B. Blodgett
117 San Jacinto
Austin, Texas 78701
T: 512.474.4877

26. Magnolia Chicken, LLC*
Daniel Bryant
1067 W Magnolia Avenue
Fort Worth, Texas 76104
T: 817.927.4693

27. Texas All Fry, LLC
Robert B. Blodgett
1815 Washington Avenue
Houston, Texas 77007
T: 832.740.4022

*An Affiliate of a Developer

(b) **Franchises Executed But Not Yet Operational.** The following are the names and business addresses of the 5 Gus's Restaurants in the United States as of December 31, 2021 who are not yet operational but have signed a Franchise Agreement:

1. Crossing Lines – Mesa, LLC
Wendy McCrory
212 W Main Street
Mesa, Arizona 85201

2. Crossing Lines – Phoenix, LLC
Wendy McCrory
345 West Van Buren
Welnick Marketplace
Phoenix, Arizona 85003

3. BCS Restaurant Ventures IV, LLC
Shannon Brown
2825 South Main Street
Kennesaw, Georgia 30144

4. Crossing Lines – Metairie, LLC
Wendy McCrory
3940 Veterans Memorial Blvd
Metairie, Louisiana 70002

5. Crossing Lines – San Antonio, LLC
Wendy McCrory
812 S Alamo Street
San Antonio, Texas 78205

(c) **Former Franchisees.** The following is the name, last known home address and home telephone number of the 0 Franchisee in the United States that has been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year (since January 1, 2021) or who have not communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document: NONE

YOUR CONTACT INFORMATION

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

(d) **Transferred Franchises**. The following are the names, last known home addresses and home telephone numbers of the -0- Franchisees in the United States that have sold their Franchise to another during the most recently completed fiscal year (since January 1, 2021) and until the effective date of this Franchise Disclosure Document: NONE

EXHIBIT L

FINANCIAL STATEMENTS

Attached as Exhibit L is our:

1. Unaudited[1] balance sheet dated May 31, 2021 and our unaudited[1] income statement for the 3-month period ending May 31, 2021.

2. Audited balance sheet, income statement and statement of cash flows for the fiscal years ending December 31, 2021 and December 31, 2019.

[1] THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Our fiscal year ends December 31.

Gus's Franchisor LLC
Balance Sheet
As of May 31, 2021

		May 31, 21
ASSETS		
Current Assets		
Checking/Savings		
1010 · New Landmark Bank Account		230,807.77
1020 · PPP Cash Account		50,000.00
Total Checking/Savings		280,807.77
Accounts Receivable		
1100 · Accounts Receivable		763,641.24
Total Accounts Receivable		763,641.24
Other Current Assets		
Inventory		
1300 · Artwork & Mirrors	27,530.24	
1310 · Decor & Lights	7,340.63	
1320 · Gift Cards	2,405.01	
1330 · Lamar Sorrento	17,462.50	
1340 · Neons	9,294.72	
1350 · Promotional Items	2,271.14	
1360 · Smallwares/Bulk Purchases	18,002.13	
1370 · ThermoPops	6,271.70	
Total Inventory		90,578.07
1250 · A/R - Misc		3,172.27
1400 · Prepaid Expenses		11,414.94
1420 · Prepaid Insurance		23,991.15
Total Other Current Assets		129,156.43
Total Current Assets		1,173,605.44
Fixed Assets		
1500 · Leasehold Improvements		101,520.84
1520 · Furniture and Equipment		74,272.12
1530 · Automobiles		84,346.67
1550 · Accumulated Depreciation		-220,269.36
Total Fixed Assets		39,870.27
Other Assets		
1870 · Security Deposits Asset		10,000.00
Total Other Assets		10,000.00
TOTAL ASSETS		1,223,475.71
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable		5,343.09
Total Accounts Payable		5,343.09
Credit Cards		
2020 · Amex - Platinum		82,688.85
Total Credit Cards		82,688.85
Other Current Liabilities		
Auto Loan - Infiniti		59,135.79
2050 · Accrued Payroll		27,353.84
2070 · State F&E Taxes Payable		4,894.65
2100 · Deferred Revenue		225,000.00
Total Other Current Liabilities		316,384.28
Total Current Liabilities		404,416.22

Gus's Franchisor LLC
Balance Sheet
As of May 31, 2021

	May 31, 21
Long Term Liabilities	
2700 · A/P - Wendys on Front	151.42
Total Long Term Liabilities	151.42
Total Liabilities	404,567.64
Equity	
3000 · Opening Balance Equity	727,673.33
3020 · Member Contributions	-172,819.76
Net Income	264,054.50
Total Equity	818,908.07
TOTAL LIABILITIES & EQUITY	**1,223,475.71**

Gus's Franchisor LLC
Profit & Loss
March through May 2021

	Mar - May 21
Ordinary Income/Expense	
Income	
Management Services	
5500 · Management - Collierville	9,000.00
5510 · Management - Counting Chickens	18,000.00
5520 · Management - Downtown	13,500.00
Total Management Services	40,500.00
Rebates	
5400 · Rebates - Coke	6,085.62
5410 · Rebates - Parker Prints	1,028.00
5420 · Rebates - Tastemaker	105,344.00
5440 · Rebates - Dr. Pepper	2,750.00
5450 · Rebates - Ecolab	1,930.36
Total Rebates	117,137.98
Royalties	
5065 · Royalties - Arlington Heights	26,329.43
5070 · Royalties - Atlanta Peachtree	18,999.84
5075 · Royalties - Austin	54,239.62
5080 · Royalties - Bartlett	44,308.64
5085 · Royalties - Birmingham	12,873.87
5090 · Royalties - Burbank	23,026.46
5095 · Royalties - Chamblee	13,158.41
5100 · Royalties - Chicago	21,012.24
5110 · Royalties - Collierville	12,442.36
5115 · Royalties - Dallas	18,235.36
5120 · Royalties - Detroit	18,380.77
5125 · Royalties - Downtown Mphs	35,406.10
5130 · Royalties - Dyersburg, TN	585.14
5135 · Royalties - Ft Worth	30,924.91
5145 · Royalties - Houston	42,988.31
5150 · Royalties - Kansas City	26,097.96
5151 · Royalties - Kennesaw	10,603.95
5155 · Royalties - Knoxville	36,850.25
5160 · Royalties - Lexington	12,856.01
5165 · Royalties - Little Rock	12,750.91
5170 · Royalties - Long Beach	17,171.33
5180 · Royalties - Mendenhall	46,651.73
5181 · Royalties - Mesa	16,425.90
5190 · Royalties - New Orleans	17,832.72
5195 · Royalties - Oakland	18,810.56
5205 · Royalties - Royal Oak	16,921.41
5210 · Royalties - Sandy Springs	14,592.55
5215 · Royalties - Santa Ana	15,009.43
5220 · Royalties - Southaven	26,801.59
5225 · Royalties - St Louis	25,221.84
5235 · Royalties - Westland	9,709.39
Total Royalties	697,218.99
5040 · Franchise Fee Income	55,000.00
Total Income	909,856.97
Gross Profit	909,856.97
Expense	
Insurance Expense	
HSA Company Contribution	6,576.96
7017 · Health Insurance	13,364.67
7020 · Health Insurance - Officer	3,172.41
7022 · STD & LTD	1,407.25
7028 · Prop & Liability	12,629.20
Total Insurance Expense	37,150.49
Interest Expense	196.06

Gus's Franchisor LLC
Profit & Loss
March through May 2021

		Mar - May 21
Labor & Benefits		
7001 · Salaries	296,041.16	
7002 · Bonuses	24,269.24	
7008 · Retirement Plan Match	10,585.88	
7015 · Payroll Taxes	23,209.77	
Total Labor & Benefits		354,106.05
Travel		
6900 · Airfare	13,958.39	
6910 · Auto Mileage/Fuel	11,839.96	
6920 · Car Rental/Uber	5,273.11	
6930 · Expenses	602.41	
6940 · Hotel	30,108.67	
6950 · Meals	17,792.65	
Total Travel		79,575.19
Utilities		
6860 - Security Monitoring	149.85	
6820 · Light, Gas & Water	3,677.00	
6830 · Telephone	2,691.56	
6840 · Cable & Internet	1,507.73	
6850 · Waste Management	352.13	
Total Utilities		8,378.27
6000 · Advertising and Promotion		4,893.83
6040 · Bank Service Charges		771.52
6160 · Contract Labor		1,050.00
6170 · Computer and Internet Expenses		9,640.24
6250 · Donations		1,075.00
6270 · Entertainment		3,316.91
6280 · Equipment Lease		519.97
6300 · In House Meals		688.82
6490 · Office Supplies		7,017.52
6710 · Rent Expense		27,000.00
6720 · Repairs and Maintenance		4,036.50
7018 · Payroll Processing		779.51
7030 · Lawn and Landscape		1,549.11
7040 · Legal fees		20,273.00
7045 · Professional Fees		12,611.44
7050 · Postage & Printing		9,005.33
7070 · Supplies		3,836.29
7075 · Taxes and Licenses		1,419.28
Total Expense		588,890.33
Net Ordinary Income		320,966.64
Other Income/Expense		
Other Expense		
6240 · Depreciation Expense		447.99
7200 · Licensing Fee		90,000.00
7300 · State F & E Taxes		2,761.59
Total Other Expense		93,209.58
Net Other Income		-93,209.58
Net Income		**227,757.06**

Gus's Franchisor, LLC

Financial Statements

December 31, 2021 and 2020

GUS'S FRANCHISOR, LLC
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culver pllc
certified public accountants

Independent Auditor's Report

To the Members of
Gus's Franchisor, LLC
Memphis, Tennessee

Opinion

We have audited the accompanying financial statements of Gus's Franchisor, LLC (the "Company", a Tennessee limited liability company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due from fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Culver, PLLC

Oakland, Tennessee
February 19, 2022

GUS'S FRANCHISOR, LLC
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

		2021		2020
Assets				
Current Assets				
Cash	$	526,760	$	342,500
Accounts receivable, net		809,872		632,498
Inventory		90,491		74,924
Prepaid expenses		23,293		9,286
Miscellaneous receivables		25,484		2,624
Total current assets		1,475,900		1,061,832
Property and Equipment, net		162,030		154,276
Other Assets				
Deposit		10,000		10,000
Total assets	$	1,647,930	$	1,226,108
Liabilities and Members' Equity				
Current Liabilities				
Accounts payable	$	2,364	$	8,281
Accrued expenses		42,821		43,932
Accrued payroll and related liabilities		11,871		6,702
Notes payable, current portion		13,414		13,200
Total current liabilities		70,470		72,115
Deferred Revenue		110,000		280,000
Long-Term Liabilities				
Notes payable, net of current portion		33,690		270,747
Total liabilities		214,160		622,862
Members' Equity		1,433,770		603,246
Total liabilities and members' equity	$	1,647,930	$	1,226,108

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

GUS'S FRANCHISOR, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		2021		2020
Revenue				
Royalties	$	2,751,191	$	2,159,761
Franchise fees		275,000		165,000
Vendor rebates		418,456		355,402
Franchise services, net		8,822		1,068
Total revenue		3,453,469		2,681,231
Expenses				
Advertising		32,739		22,730
Bad debt		22,653		-
Bank charges		3,230		3,649
Contract labor		3,900		4,600
Depreciation		30,953		12,054
Donations		20,222		13,072
Insurance		158,734		98,361
Interest		560		-
Licensing fees		360,000		360,000
Meals and entertainment		23,829		27,572
Occupancy		108,000		72,000
Office expense		88,599		61,399
Payroll and related expenses		1,370,666		1,328,778
Professional fees		98,344		211,552
Repairs and maintenance		15,820		9,998
Research and development		127		9,512
Software		39,877		31,630
Taxes and licenses		20,959		7,870
Travel		275,578		176,470
Utilities		32,647		31,356
Total expenses		2,707,437		2,482,603
Net Operating Income		746,032		198,628
Other Income/(Expense)				
Paycheck Protection Program loan forgiveness		216,600		-
Employee Retention Credit (US Treasury)		78,779		-
Settlement costs		(85,000)		-
Total other income/(expense)		210,379		-
Net Income		956,411		198,628
Members' Equity - Beginning of Year		603,246		192,359
Members' Contributions		520,800		620,248
Members' Distributions		(646,687)		(407,989)
Members' Equity - End of Year	$	1,433,770	$	603,246

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

GUS'S FRANCHISOR, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating activities		
Net income	$ 956,411	$ 198,628
Adjustments to reconcile net income to		
net cash provided by (used for) operating activities:		
Bad debt	22,653	-
Depreciation	30,953	12,054
PPP loan forgiveness	(216,600)	-
Related parties	360,000	360,240
Changes in operating assets and liabilities:		
Accounts receivable	(200,027)	(308,124)
Inventory	(15,567)	(11,385)
Deposits	-	(10,000)
Prepaid expenses	(14,007)	(4,735)
Miscellaneous receivables	(22,860)	(2,475)
Accounts payable	(5,917)	(1,929)
Accrued expenses	(1,111)	4,195
Accrued payroll and related liabilities	5,169	(17,749)
Deferred revenue	(170,000)	-
Total adjustments	(227,314)	20,092
Net cash provided by operating activities	729,097	218,720
Investing activities		
Purchases of property and equipment	(38,707)	(8,937)
Net cash used in investing activities	(38,707)	(8,937)
Financing activities		
Proceeds from note payable issuance	-	216,600
Principal payments - note payable	(20,243)	-
Contributions by member	-	243,008
Distributions to member	(485,887)	(407,989)
Net cash provided by (used in) financing activities	(506,130)	51,619
Net increase in cash	184,260	261,402
Cash- beginning of year	342,500	81,098
Cash- end of year	$ 526,760	$ 342,500
Supplemental disclosure of cash flow information:		
Noncash contributions by member	$ 520,800	$ 377,240
Noncash distributions to member	$ 160,800	$ -
Purchase of vehicle with note payable issuance	$ -	$ 84,347
Interest paid	$ 560	$ -

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

NOTE 1 – NATURE OF OPERATIONS

Gus's Franchisor, LLC, a Delaware limited liability company (the "Company"), was formed in August 2012, and is a wholly-owned subsidiary of Hot and Spicy Holdings, LLC, a Delaware limited liability company. Hot and Spicy Holdings, LLC acquired substantially all of the assets of Gus's World Famous Hot and Spicy Fried Chicken, Inc. in July 2014. The acquired intellectual property assets were assigned by Hot and Spicy Holdings, LLC to its wholly owned subsidiary, Gus's IP, LLC. As discussed in Note 2, Gus's IP, LLC sublicenses its systems, methods and intellectual property, as amended and improved from time to time, which comprise the Gus's World-Famous Fried Chicken franchise system (which includes the principal trademark, Gus's World-Famous Fried Chicken) to the Company which offers and sells franchises and development rights to prospective franchisees to operate Gus's World-Famous Fried Chicken restaurants. Gus's World-Famous Fried Chicken restaurants, which feature fried chicken, beverages, and unique food service and other products, operate in accordance with the Gus's World-Famous Fried Chicken franchise system.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Company are as follows:

<u>Presentation of Financial Statements and Basis of Accounting</u>
The accompanying financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under the accrual method, revenues are recognized when performance obligations are satisfied and expenses are recognized when incurred, if measurable.

<u>Cash</u>
Cash includes cash deposited with financial institutions. The Company maintains cash accounts which may exceed federally insured amounts at times, and which may at times significantly exceed amounts recorded on the balance sheet due to outstanding checks.

<u>Credit Risks</u>
The Company's credit risks primarily relate to cash. Cash deposits are maintained in financial institutions for which the balances may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at financial institutions are insured by the FDIC for up to $250,000. The Company has not experienced any losses of such funds, and management believes the Company is not exposed to significant credit risk on cash.

<u>Property and Equipment</u>
The Company reports property and equipment at historical cost less accumulated depreciation. The Company capitalizes any purchased assets greater than $1,000. For financial statement purposes, the provision for depreciation is computed using the straight-line method with useful lives ranging from five to forty years. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of income. Depreciation expense for the years ended December 31, 2021 and 2020 totaled $30,953 and $12,054, respectively.

Income Taxes
Due to being a wholly-owned subsidiary, the Company is treated as a disregarded entity for federal income tax purposes and the profits and losses of the Company are reported on the parent company's partnership tax return. As a partnership, profits and losses of the Company are taxed to the members for Federal income tax purposes. The State of Tennessee provides for the taxation of the Company at the state level through franchise and excise taxes. As of December 31, 2021 and 2020, the Company accrued for a provision for state franchise and excise taxes, due to the State of Tennessee, in the amounts of $11,764 and $2,202, respectively, which are included in accrued expenses on the Company's balance sheets. For the years ended December 31, 2021 and 2020, related expenses of $17,400 and $3,022 were expensed and are included in taxes and licenses within the statements of income.

Advertising
Advertising costs are expensed as incurred. For the years ended December 31, 2021 and 2020, advertising expense totaled $62,670 and $22,730, respectively.

Estimates and Uncertainties
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable
Accounts receivable represents amounts due from franchisees and vendors for royalty fees, vendor rebates, and initial franchise fees. The Company uses the reserve method to determine its allowance for doubtful accounts based on collection experience in prior years and a review of the collectability of specific outstanding accounts receivable. Accounts deemed uncollectible have been charged against the allowance. As of December 31, 2021 and 2020, gross accounts receivable totaled $866,314 and $688,940, respectively. Accounts receivable is reported on the balance sheets net of the Company's provision for doubtful accounts, which was $56,442 for both years. As of December 31, 2021, the Company also accrued $78,799 for an employee retention credit receivable from the US Treasury which is expected to be refunded during fiscal year 2022. This amount is also included in accounts receivable as of December 31, 2021.

Revenue Recognition
The Company recognizes revenue from royalties, initial franchise fees, vendor rebates, and for services provided to franchisees in accordance with ASC (Accounting Standards Codification) Topic 606. All revenue is recognized as performance obligations are satisfied as determined by the various agreements that the Company has with its franchisees and vendors. A description of the Company's revenue streams is as follows:

Franchise Fees: Revenue from initial franchise fees is recognized when substantial performance of franchisor obligations is complete. Initial franchise fees are paid in advance of the opening of a new franchise and such fees are recorded as deferred revenue on the balance sheet until performance obligations have been satisfied by the Company, which management has determined is when the franchise store opens and is operating fully. This deferred revenue represents the payments made by franchisees for the right to operate franchises in the future.

Royalties: Royalties are recognized as the underlying franchisee revenue is earned and is typically based on a percentage of monthly franchisee revenue. Performance obligations from royalties are satisfied at a point in time at the end of each monthly franchisee sales cycle at which point the Company recognizes royalty revenue.

Revenue Recognition (Continued)

Vendor rebates: Vendor rebates are recognized based on specified thresholds in the Company's agreements with vendors and are recognized as performance obligations are satisfied, which is typically based on the volume of business the Company and its franchisees transacted with its vendors for food and drink purchases. The Company recognizes revenue from vendor rebates at a point in time at the end of each monthly franchisee sales cycle based on product purchases.

Franchise services: In support of franchisee operations, the Company offers certain administrative services (primarily selling décor) to its franchisees. The Company recognizes revenue from services to franchisees as performance obligations are satisfied, namely, when décor items have been shipped and delivered to the franchisees.

Inventory and Cost of Sales

The Company's inventory consists of artwork, décor, advertising materials, and other miscellaneous supplies for franchisees to purchase upon request. Inventory is valued at the lower of cost and net realizable value. The cost of raw material is determined generally on a first-in, first-out basis. Sales of inventory totaling $16,264 and $3,799 for the years ended December 31, 2021 and 2020 are presented net of cost of sales of $7,442 and $2,731, respectively, within franchise services revenue in the Company's statements of income. Management deemed that no allowance for obsolete, impaired, or damaged inventory was necessary for the years ended December 31, 2021 and 2020.

401k Retirement Plan

Effective January 1, 2019, Hot and Spicy Holdings, LLC adopted the provisions of the Hot and Spicy Retirement Plan (the "Plan"). The Plan was adopted to provide employees with the opportunity to save for retirement on a tax-advantaged basis. The Plan is a type of qualified retirement plan commonly referred to as a Safe Harbor 401(k) Plan, which requires the Company to provide matching contributions equal to 100% of each participant's salary deferrals that do not exceed 4% of the participant's compensation. The Plan allows for other employers to adopt its same provisions, of which the Plan provisions were adopted by the Company (a wholly-owned subsidiary of Hot and Spicy Holdings, LLC), effective January 1, 2019.

The following types of contributions may be made under the Plan: employee salary deferrals including Roth 401(k) deferrals, employer safe harbor contributions, employer matching contributions, employer profit sharing contributions, and employee "rollover" contributions. Employees are eligible to participate in the Plan upon completion of 6 months of service with an entry date being the first day of the Plan Year quarter coinciding with or next following the date the service requirement has been satisfied.

The Company's safe harbor matching contributions for the years ended December 31, 2021 and 2020 totaled $47,179 and $43,829, respectively, and is included in payroll and related expenses in the statements of income.

Subsequent Events

The Company has evaluated subsequent events for potential recognition and disclosure through February 19, 2022, the date the financial statements were available to be issued. Management has determined that there are no subsequent events to be disclosed in accordance with US GAAP.

NOTE 3 – LONG-TERM DEBT

The following is a summary of all notes payable as of December 31, 2021 and 2020:

	2021	2020
$67,347 Note payable to Infiniti Financing, secured by a vehicle, due in monthly installments of $1,151 through December 2025, fixed interest rate of 1.0%	$ 47,104	$ 67,347
$216,600 Paycheck Protection Program note payable to Community Bank, fixed interest rate of 1.0% maturing in April 2022 at which time all unpaid principal, accrued interest and any other amounts will be due and payable	-	216,600
	47,104	283,947
Less: current maturities	(13,414)	(13,200)
	$ 33,690	$ 270,747

Future scheduled maturities of long-term debt are as follows for the years ended December 31:

2022	$ 13,414
2023	13,545
2024	13,679
2025	6,466
2026	-
	$ 47,104

NOTE 4 – RELATED PARTIES

The Company routinely transacts business with its parent company, Hot and Spicy Holdings, LLC as well as its affiliate companies. These amounts are recorded as due from related party on the Company's balance sheet. As of December 31, 2021 and 2020, the Company had $22,297 and $0 due from an affiliate, which is included in miscellaneous receivables on the balance sheets.

Primarily as a matter of administrative convenience, certain obligations of the Company are routinely paid by another company affiliated by common ownership. As of December 31, 2021 and 2020, the Company had no amounts due to affiliated Companies.

Effective January 1, 2017, the Company entered into an agreement with Gus's IP, LLC, a related party by common ownership, for the licensing of the business systems, proprietary marks, confidential information, and copyrighted works of the Gus's World-Famous Fried Chicken franchise system. The terms of the agreement include payment of a licensing fee of $30,000 monthly from the Company to Gus's IP, LLC for a term of 20 years. After the initial term is over, the agreement provides for the Company to have the perpetual option to renew for 10-year intervals. For the years ended December 31, 2021 and 2020, the Company incurred licensing fees of $360,000 to Gus's IP, LLC, which are reported as such on the Company's statements of income.

NOTE 4 – RELATED PARTIES (CONTINUED)

Certain employees of the Company provide services to Counting Chickens, LLC, a related party by common ownership. For the purposes of payroll administration and benefits, these employees are technically employed only by the Company and the Company is reimbursed for these costs by Counting Chickens, LLC based on the allocated hourly cost of each employee. For the years ended December 31, 2021 and 2020, the Company received reimbursements for payroll and related benefits of $130,000 and $94,000, respectively.

Certain Company expenses and expense reductions are transacted with related party entities and flow through members' contributions and distributions accounts and therefore do not affect cash flows of the Company. The following is a summary reconciliation of all non-cash related party expenses and expense reductions, which are included in the reconciliation adjustments for cash flows from operating activities in the Company's statements of cash flows.

	2021	2020
Licensing fees	$ 360,000	$ 360,000
Taxes and licenses	-	240
	$ 360,000	$ 360,240

During 2017, the Company leased office space from 5828 Shelby Oaks, LLC, a related party by common ownership. The terms of the lease provide for a 20-year term. The Company is responsible for paying property taxes assessed by local taxing authorities and for maintaining property and liability insurance. For each of the years ended December 31, 2021 and 2020, the Company paid rent, taxes, and insurance totaling $108,000 and $72,000, respectively, to 5828 Shelby Oaks, LLC. These amounts are included in occupancy expense on the Company's statements of income.

Future minimum lease payments due to Shelby Oaks, LLC, exclusive of amounts due for insurance and property taxes, are as follows:

2022	$ 108,000
2023	108,000
2024	108,000
2025	108,000
2026	108,000
Thereafter	1,143,000
	$ 1,683,000

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following classifications for the years ended December 31:

	2021	2020
Furniture and equipment	$ 74,272	$ 74,272
Vehicles	84,347	84,347
Leasehold improvements	105,274	66,567
	263,893	225,186
Accumulated depreciation	(101,863)	(70,910)
	$ 162,030	$ 154,276

NOTE 6 – FRANCHISE AGREEMENTS

Franchise arrangements primarily consist of either a single-site franchise agreement or a multi-site development agreement. Multi-site development agreements generally provide for a minimum of three locations to be opened by the franchisee within an exclusive territory. To ensure that revenue recognition is in accordance with ASC Topic 606, the Company's management has undertaken a historical analysis of the time and resources required for the Company to substantially perform its obligations pursuant to these agreements. The Company's management has determined that, in substantially all franchise unit openings, substantially all of the resource requirements are completed within two weeks of the opening of a new unit.

Furthermore, management's analysis has determined that the resource requirements for opening a new unit under a new franchisee (whether under a single-site franchise agreement or the first site of a multi-site development agreement) are substantially more than subsequent unit openings for experienced franchisees. For this reason, the amounts charged by the Company for initial franchise fees are substantially more on a per unit basis for single-unit franchise agreements than for multi-site development agreements. Therefore, the amount of the initial franchise fees recognized for the opening of an initial unit under a multi-site development agreement is the same as for a single-unit franchise agreement.

The Company's management has determined that its operational and revenue structure are such that the recurring revenue from royalties, vendor rebates, and franchise services is substantial in nature and that no part of those services provided could be construed as further satisfaction of its obligations stemming from the receipt of initial franchise fees. Management has determined that the design of the its operations and its revenue structure allow for the Company to not be reliant on the income from initial franchise fees.

NOTE 7 – RISKS AND UNCERTAINITIES

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the local and regional situations on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the ongoing COVID-19 pandemic and the global and local responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 pandemic on its results of operations, workforce, financial condition, or liquidity for fiscal year 2022.

Gus's Franchisor, LLC

Financial Statements

For the Years Ended December 31, 2020 and 2019

GUS'S FRANCHISOR, LLC
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Independent Auditor's Report

To the Members of
Gus's Franchisor, LLC
Memphis, Tennessee

We have audited the accompanying financial statements of Gus's Franchisor, LLC (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gus's Franchisor, LLC as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Culver, PLLC

Oakland, Tennessee
March 2, 2021

GUS'S FRANCHISOR, LLC
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

Assets

	2020	2019
Current Assets		
Cash	$ 342,500	$ 81,098
Accounts receivable, net	632,498	324,374
Inventory	74,924	63,539
Prepaid expenses	9,286	4,551
Miscellaneous receivables	2,624	149
Total current assets	1,061,832	473,711
Property and Equipment, net	154,276	73,046
Other Assets		
Deposit	10,000	-
Total assets	$ 1,226,108	$ 546,757

Liabilities and Members' Equity

	2020	2019
Current Liabilities		
Accounts payable	$ 8,281	$ 10,210
Accrued expenses	43,932	39,737
Accrued payroll and related liabilities	6,702	24,451
Notes payable, current portion	13,200	-
Total current liabilities	72,115	74,398
Deferred Revenue	280,000	280,000
Long-Term Liabilities		
Notes payable, net of current portion	270,747	-
Total liabilities	622,862	354,398
Members' Equity	603,246	192,359
Total liabilities and members' equity	$ 1,226,108	$ 546,757

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

GUS'S FRANCHISOR, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		2019	
Revenue				
Royalties	$	2,159,761	$	2,311,660
Franchise fees		165,000		175,000
Vendor rebates		355,402		393,066
Franchise services		1,068		1,440
Total revenue		2,681,231		2,881,166
Expenses				
Advertising		22,730		34,469
Bad debt		-		28,953
Bank charges		3,649		3,121
Contract labor		4,600		3,100
Depreciation		12,054		15,438
Donations		13,072		9,690
Insurance		98,361		94,469
Licensing fees		360,000		360,000
Meals and entertainment		27,572		32,224
Occupancy		72,000		72,000
Office expense		61,399		47,167
Payroll and related expenses		1,328,778		1,246,838
Professional fees		211,552		86,407
Repairs and maintenance		9,998		13,411
Research and development		9,512		14,087
Software		31,630		35,964
Taxes and licenses		7,870		26,309
Travel		176,470		377,828
Utilities		31,356		33,979
Total expenses		2,482,603		2,535,454
Net income		198,628		345,712
Members' Equity - Beginning of Year		192,359		305,154
Members' Contributions		620,248		470,000
Members' Distributions		(407,989)		(928,507)
Members' Equity - End of Year	$	603,246	$	192,359

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

GUS'S FRANCHISOR, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating activities		
Net income	$ 198,628	$ 345,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt	-	28,953
Depreciation	12,054	15,438
Related parties	360,240	290,250
Changes in operating assets and liabilities:		
Accounts receivable	(308,124)	204,405
Inventory	(11,385)	(8,468)
Deposits	(10,000)	3,340
Prepaid expenses	(4,735)	12,471
Miscellaneous receivables	(2,475)	(61)
Accounts payable	(1,929)	8,183
Accrued expenses	4,195	39,737
Accrued payroll and related liabilities	(17,749)	6,316
Due from related party	-	17,776
Deferred revenue	-	(180,000)
Total adjustments	20,092	438,340
Net cash provided by operating activities	218,720	784,052
Investing activities		
Purchases of property and equipment	(8,937)	(23,790)
Net cash used in investing activities	(8,937)	(23,790)
Financing activities		
Proceeds from note payable issuance	216,600	-
Contributions by member	243,008	110,000
Distributions to member	(407,989)	(858,757)
Net cash provided by (used in) financing activities	51,619	(748,757)
Net increase in cash	261,402	11,505
Cash- beginning of year	81,098	69,593
Cash- end of year	$ 342,500	$ 81,098
Supplemental disclosure of cash flow information:		
Noncash contributions by member	$ 377,240	$ 360,000
Noncash distributions to member	$ -	$ 69,750
Purchase of vehicle with note payable issuance	$ 84,347	$ -

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

NOTE 1 – NATURE OF OPERATIONS

Gus's Franchisor, LLC, a Delaware limited liability company (the "Company"), was formed in August 2012, and is a wholly-owned subsidiary of Hot and Spicy Holdings, LLC, a Delaware limited liability company. Hot and Spicy Holdings, LLC acquired substantially all of the assets of Gus's World Famous Hot and Spicy Fried Chicken, Inc. in July 2014. The acquired intellectual property assets were assigned by Hot and Spicy Holdings, LLC to its wholly owned subsidiary, Gus's IP, LLC. As discussed in Note 2, Gus's IP, LLC sublicenses its systems, methods and intellectual property, as amended and improved from time to time, which comprise the Gus's World-Famous Fried Chicken franchise system (which includes the principal trademark, Gus's World-Famous Fried Chicken) to the Company which offers and sells franchises and development rights to prospective franchisees to operate Gus's World-Famous Fried Chicken restaurants. Gus's World-Famous Fried Chicken restaurants, which feature fried chicken, beverages, and unique food service and other products, operate in accordance with the Gus's World-Famous Fried Chicken franchise system.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Company are as follows:

Presentation of Financial Statements and Basis of Accounting
The accompanying financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under the accrual method, revenues are recognized when performance obligations are satisfied and expenses are recognized when incurred, if measurable.

Cash
Cash includes cash deposited with financial institutions. The Company maintains cash accounts which may exceed federally insured amounts at times, and which may at times significantly exceed amounts recorded on the balance sheet due to outstanding checks.

Credit Risks
The Company's credit risks primarily relate to cash. Cash deposits are maintained in financial institutions for which the balances may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at financial institutions are insured by the FDIC for up to $250,000. The Company did not have amounts on deposit exceeding federally-insured limits as of either December 31, 2020 or 2019. The Company has not experienced any losses of such funds, and management believes the Company is not exposed to significant credit risk on cash.

Property and Equipment
The Company reports property and equipment at historical cost less accumulated depreciation. The Company capitalizes any purchased assets greater than $1,000. For financial statement purposes, the provision for depreciation is computed using the straight-line method with useful lives ranging from five to thirty-nine years. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of income. Depreciation expense for the years ended December 31, 2020 and 2019 totaled $12,054 and $15,438, respectively.

Income Taxes

Due to being a wholly-owned subsidiary, the Company is treated as a disregarded entity for federal income tax purposes and the profits and losses of the Company are reported on the parent company's partnership tax return. As a partnership, profits and losses of the Company are taxed to the members for Federal income tax purposes. The State of Tennessee provides for the taxation of the Company at the state level through franchise and excise taxes. As of December 31, 2020 and 2019, the Company accrued for a provision for state franchise and excise taxes, due to the State of Tennessee, in the amounts of $2,202 and $0, respectively, which are included in accrued expenses on the Company's balance sheets.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising expense totaled $22,730 and $34,469, respectively.

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represents amounts due from franchisees and vendors for royalty fees, vendor rebates, and initial franchise fees. The Company uses the reserve method to determine its allowance for doubtful accounts based on collection experience in prior years and a review of the collectability of specific outstanding accounts receivable. Accounts deemed uncollectible have been charged against the allowance. As of December 31, 2020 and 2019, gross accounts receivable totaled $688,940 and $380,816, respectively. Accounts receivable is reported on the balance sheets net of the Company's provision for doubtful accounts, which was $56,442 as of both December 31, 2020 and 2019.

Revenue Recognition

Effective January 1, 2019, the Company adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides that revenues are to be recognized when control of promised goods or services is transferred to a customer (satisfaction of performance obligations) in an amount that reflects the consideration expected to be received for those goods or services.

The Company adopted Topic 606 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As discussed in Note 6, Franchise Arrangements, management has determined that the provision for ongoing franchisees is primarily provided for by fees charged for royalties, while the initial franchise fee primarily covers upfront costs including but not limited to site selection and training in areas restaurant operations, employee recruiting and selection, and marketing. In situations that the Company's obligation associated with an initial franchise fee is both expected to extend for a period of greater than two weeks after the opening of a franchise unit and such obligation is expected to potentially be material to the financial statements taken as a whole, management's policy is to estimate the total expected obligation pursuant to the franchise agreement and the amount of that performance obligation yet to be incurred by the Company. The percentage of the remaining obligation as such obligation relates to the total remains on the Company's balance sheet as deferred revenue and the amount of the expected obligation that the Company has satisfied is recognized as franchise fee revenue.

Revenue Recognition (Continued)

The Company's implementation of Topic 606 did not change the recognition of royalties from restaurants operated by franchisees or licensed to affiliates, which are based on a percent of sales and recognized at the time the underlying sales occur. Furthermore, this standard did not change the recognition of fees for franchise services or vendor rebates, which are also recognized at the time the underlying sales occur.

The standard did change the timing in which the Company recognizes initial fees from franchisees for new restaurant openings and new franchise terms. The Company's accounting policy through December 31, 2018, was to recognize initial franchise fees upon a new restaurant opening. Beginning on January 1, 2019, initial franchise fees have been recognized as the Company satisfies the initial performance obligation at a point in time. Refer to Note 6, Franchise Arrangements, for additional information.

The Company recognizes revenue from royalties, initial franchise fees, vendor rebates, and for services provided to franchisees. All revenue is recognized as performance obligations are satisfied as determined by the various agreements that the Company has with its franchisees and vendors. A description of the Company's revenue streams is as follows:

Franchise Fees: Revenue from initial franchise fees is recognized when substantial performance of franchisor obligations is complete, which, prior to January 1, 2019, was considered to be when a franchise unit was opened. Effective, January 1, 2019, the Company adopted ASC 606, the effects of which are discussed above. Initial franchise fees are paid in advance of the opening of a new franchise and such fees are recorded as deferred revenue on the balance sheet until performance obligations have been satisfied by the Company. This deferred revenue represents the payments made by franchisees for the right to operate franchises in the future.

Royalties: Royalties are recognized as the underlying franchisee revenue is earned and is typically based on a percentage of monthly franchisee revenue. As discussed above, the adoption of ASC 606 had no effect on the recognition of revenue from royalties. Performance obligations from royalties are satisfied at a point in time at the end of each monthly franchisee sales cycle at which point the Company recognizes royalty revenue.

Vendor rebates: Vendor rebates are recognized based on specified thresholds in the Company's agreements with vendors and are recognized as performance obligations are satisfied, which is typically based on the volume of business the Company and its franchisees transacted with its vendors for food and drink purchases. As discussed above, the adoption of ASC 606 had no effect on the recognition of revenue from vendor rebates. The Company recognizes revenue from vendor rebates at a point in time at the end of each monthly franchisee sales cycle based on product purchases.

Franchise services: In support of franchisee operations, the Company offers certain administrative services (primarily selling décor) to its franchisees. The Company recognizes revenue from services to franchisees as performance obligations are satisfied, namely, when décor items have been shipped and delivered to the franchisees.

Inventory

The Company's inventory consists of artwork, décor, advertising materials, and other miscellaneous supplies for franchisees to purchase upon request. Inventory is valued at the lower of cost and net realizable value. The cost of raw material is determined generally on a first-in, first-out basis. Management deemed that no allowance for obsolete, impaired, or damaged inventory was necessary for the years ended December 31, 2020 and 2019.

401k Retirement Plan
Effective January 1, 2019, Hot and Spicy Holdings, LLC adopted the provisions of the Hot and Spicy Retirement Plan (the "Plan"). The Plan was adopted to provide employees with the opportunity to save for retirement on a tax-advantaged basis. The Plan is a type of qualified retirement plan commonly referred to as a 401(k) Plan. The Plan allows for other employers to adopt its same provisions, of which the Plan provisions were adopted by the Company (a wholly-owned subsidiary of Hot and Spicy Holdings, LLC), effective January 1, 2019.

The following types of contributions may be made under the Plan: employee salary deferrals including Roth 401(k) deferrals, employer safe harbor contributions, employer matching contributions, employer profit sharing contributions, and employee "rollover" contributions. Employees are eligible to participant in the Plan upon completion of 6 months of service with an entry date being the first day of the Plan Year quarter coinciding with or next following the date the service requirement has been satisfied.

The Company's safe harbor matching contributions for the years ended December 31, 2020 and 2019 totaled $43,829 and $40,252, respectively.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified in order to conform with the current year presentation.

Subsequent Events
The Company has evaluated subsequent events for potential recognition and disclosure through March 2, 2021, the date the financial statements were available to be issued. See Note 7.

NOTE 3 – LONG-TERM DEBT

The following is a summary of all notes payable as of December 31, 2020 and 2019:

	2020	2019
Note payable to Infiniti Financing, secured by a vehicle, due in monthly installments of $1,151 through December 2025, fixed interest rate of 1.0%	$ 67,347	$ -
Paycheck Protection Program note payable to Community Bank, fixed interest rate of 1.0% maturing in April 2022 at which time all unpaid principal, accrued interest and any other amounts will be due and payable	216,600	-
	283,947	-
Less: current maturities	(13,200)	-
	$ 270,747	$ -

Congress created the Paycheck Protection Program ("PPP") as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the Small Business Administration's ("SBA") 7(a) small business lending program to fund loans of up to $10million per borrower that qualifying business and organizations could spend to cover payroll, mortgage interest, rent, and utilities. The forgivable loans were designed to help support organizations facing economic hardships created by the coronavirus pandemic and assist them in continuing to pay employee salaries. PPP loan recipients can have their loans forgiven in full if the funds were used for eligible expenses and other criteria are met. The loan forgiveness amount may be reduced based on the percentage of eligible costs attributed to nonpayroll costs, any decrease in employee headcount, and decreases in salaries or wages per employee.

The PPP note payable allows loan forgiveness for payroll costs – including salary, wages, and tips – for up to $100,000 annualized per employee, or $15,385 per individual over a 24-week period. The proportion of PPP funding that must be used on payroll costs to qualify for full forgiveness is 60%. As of December 31, 2020, the Organization had not filed for forgiveness; however, based on operations and management's estimate, the Company expects for the entire PPP loan to be forgiven in its entirety during the year ended December 31, 2021.

Future scheduled maturities of long-term debt are as follows for the years ended December 31:

2021	$	13,200
2022		229,933
2023		13,468
2024		13,604
2025		13,742
	$	283,947

NOTE 4 – RELATED PARTIES

The Company routinely transacts business with its parent company, Hot and Spicy Holdings, LLC as well as its affiliate companies. These amounts are recorded as due from related party on the Company's balance sheet. As of December 31, 2020 and 2019, the Company had no amounts receivable from affiliated companies.

Primarily as a matter of administrative convenience, certain obligations of the Company are routinely paid by another company affiliated by common ownership. As of December 31, 2020 and 2019, the Company had no amounts due to affiliated Companies.

Effective January 1, 2017, the Company entered into an agreement with Gus's IP, LLC, a related party by common ownership, for the licensing of the business systems, proprietary marks, confidential information, and copyrighted works of the Gus's World-Famous Fried Chicken franchise system. The terms of the agreement include payment of a licensing fee of $30,000 monthly from the Company to Gus's IP, LLC for a term of 20 years. After the initial term is over, the agreement provides for the Company to have the perpetual option to renew for 10-year intervals. For the years ended December 31, 2020 and 2019, the Company incurred licensing fees of $360,000 to Gus's IP, LLC, which are reported as such on the Company's statements of income.

The Company purchases air travel from Fly Bird, LLC, a related party by common ownership. During the years ended December 31, 2020 and 2019, travel costs totaling $35,000 and $130,748, respectively, were incurred and paid by the Company.

Certain employees of the Company provide services to Counting Chickens, LLC, a related party by common ownership. For the purposes of payroll administration and benefits, these employees are technically employed only by the Company and the Company is reimbursed for these costs by Counting Chickens, LLC based on the allocated hourly cost of each employee. For the years ended December 31, 2020 and 2019, the Company received reimbursements for payroll and related benefits of $94,000 and $80,000, respectively.

Certain Company expenses and expense reductions are transacted with related party entities and flow through members' contributions and distributions accounts and therefore do not affect cash flows of the Company. The following is a summary reconciliation of all non-cash related party expenses and expense reductions, which are included in the reconciliation adjustments for cash flows from operating activities in the Company's statements of cash flows.

	2020	2019
Licensing fees	$ 360,000	$ 360,000
Taxes and licenses	240	-
Member distributions	-	(69,750)
	$ 360,240	$ 290,250

During 2017, the Company leased office space from 5828 Shelby Oaks, LLC, a related party by common ownership. The terms of the lease provide for a 20-year term at a rental amount of $3,800 monthly. The Company is responsible for paying property taxes assessed by local taxing authorities and for maintaining property and liability insurance.

For each of the years ended December 31, 2020 and 2019, the Company paid rent, taxes, and insurance totaling $78,000 and $72,000, respectively, to 5828 Shelby Oaks, LLC. These amounts are included in occupancy expense on the Company's statements of income.

Future minimum lease payments due to Shelby Oaks, LLC, exclusive of amounts due for insurance and property taxes, are as follows:

2021	$ 45,600
2022	45,600
2023	45,600
2024	45,600
2025	45,600
Thereafter	528,200
	$ 756,200

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following classifications for the years ended December 31:

	2020	2019
Furniture and equipment	$ 74,272	$ 68,527
Vehicles	84,347	-
Leasehold improvements	66,567	63,375
	225,186	131,902
Accumulated depreciation	(70,910)	(58,856)
	$ 154,276	$ 73,046

NOTE 6 – FRANCHISE AGREEMENTS

Franchise arrangements primarily consist of either a single-site franchise agreement or a multi-site development agreement. Multi-site development agreements generally provide for a minimum of three locations to be opened by the franchisee within an exclusive territory. As discussed in Note 2, the Company adopted ASC 606, effective January 1, 2019, which changed the recognition of initial franchise fees. In preparation for the adoption of ASC 606, the Company's management has undertaken a historical analysis of the time and resources required for the Company to substantially perform its obligations pursuant to these agreements. The Company's management has determined that, in substantially all franchise unit openings, substantially all of the resource requirements are completed within two weeks of the opening of a new unit.

Furthermore, management's analysis has determined that the resource requirements for opening a new unit under a new franchisee (whether under a single-site franchise agreement or the first site of a multi-site development agreement) are substantially more than subsequent unit openings for experienced franchisees. For this reason, the amounts charged by the Company for initial franchise fees are substantially more on a per unit basis for single-unit franchise agreements than for multi-site development agreements. Therefore, the amount of the initial franchise fees recognized for the opening of an initial unit under a multi-site development agreement is the same as for a single-unit franchise agreement.

The Company's management has determined that its operational and revenue structure are such that the recurring revenue from royalties, vendor rebates, and franchise services is substantial in nature and that no part of those services provided could be construed as further satisfaction of its obligations stemming from the receipt of initial franchise fees. Management has determined that the design of the its operations and its revenue structure allow for the Company to not be reliant on the income from initial franchise fees.

NOTE 7 – SUBSEQUENT EVENTS

During the beginning of 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. The March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management actively monitored throughout 2020 and continues to actively monitor subsequent to December 31, 2020 the global, regional, and local situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the governmental responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The Company is dependent on the opening of new franchisees to generate franchise fee revenue as well as the continued financial success of the franchisees to generate royalty revenue (see Note 2 for additional details). Developments such as social distancing and shelter-in-place directives could impact the Company's and franchisees' ability to open new franchisees and financial condition, respectively, which could have a material impact on the Company's revenue streams and overall financial condition. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial condition, and liquidity in fiscal year 2021. However, management actively worked with franchisees to appropriately respond and adapt to any governmental restrictive measures put into place, such as take-out only restaurant sales, to ensure any adverse risks are minimized due from the COVID-19 outbreak during 2020 and continues to do so through the date of this report. Management believes that any significant overall adverse financial impact on the financial condition of the Company is minimal for fiscal year 2021 based on the performance of operations during 2020, the year of the initial COVID-19 outbreak.

EXHIBIT M

FRANCHISEE CLOSING QUESTIONNAIRE

FRANCHISEE CLOSING QUESTIONNAIRE

As you know, Gus's Franchisor, LLC, a Delaware limited liability company ("we" "us" or "our") and _____________, LLC, a ____ limited liability company ("you" or "your") are preparing to enter into a Gus's Franchise Agreement (the "Franchise Agreement) for the establishment and operation of a Gus's Restaurant. The purpose of this Questionnaire is to determine whether any person made statements or promises to you that we have not authorized, that are not contained in our Franchise Disclosure Document and Exhibits (the "FDD") including the Development Agreement and Franchise Agreement, and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. No representations requiring you to assent to a release, estoppel or waiver of any liability acts as a release, estoppel or waiver of any liability incurred under state franchise laws including the California Franchise Investment Law and the Maryland Franchise Registration and Disclosure Law.

1. How did you first find out about our franchise opportunity?
____
____

2. When was this? ____

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

Yes ☐ No ☐

4. Did you sign a receipt for the FDD indicating the date you received it?

Yes ☐ No ☐

5. Have you had the FDD for at least 14 calendar days before signing the Franchise Agreement? If you are a resident of New York and Rhode Island require that we give you this Franchise Disclosure Document at the earlier of (i) the first personal meeting or (ii) 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. If you are a resident of Michigan requires that we give you this Franchise Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

Yes ☐ No ☐

6. Do you understand all of the information contained in the Franchise Disclosure Document including the Development Agreement and/or Franchise Agreement and any state-specific Addenda to the FDD and the Agreements?

Yes ☐ No ☐

7. If No, what parts of the FDD, Development Agreement, Franchise Agreement and/or Addenda do you not understand? (Attach additional pages, if necessary.)

____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Gus's Franchise with an attorney, accountant, or other professional advisor?

Yes ☐ No ☐

9. If yes, please identify and provide name, address and phone number.

____
____
____
____
____
____
____

10. Do you understand that the success or failure of your Gus's Franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ☐ No ☐

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Restaurant operated by us or our Gus's Franchisees?

Yes ☐ No ☐

12. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating the Gus's Franchise?

Yes ☐ No ☐

13. Has any employee or other person speaking on behalf of the Franchisor made any statements or promise concerning the total amount of revenue the Restaurant will generate?

Yes ☐ No ☐

14. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating the Restaurant that is contrary to or different from, the information contained in the FDD?

Yes ☐ No ☐

15. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Restaurant?

Yes ☐ No ☐

16. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes ☐ No ☐

17. Have you entered into any binding agreement with us concerning the purchase of a Restaurant before today?

Yes ☐ No ☐

18. Have you paid any money to us concerning the purchase of the Restaurant before today?

Yes ☐ No ☐

19. Do you understand that the current economic crisis and financial situation in the U.S. and abroad could have a negative impact on the restaurant industry, the GUS'S® franchise system and your business?

Yes ☐ No ☐

20. If you have answered "Yes" to any one of questions 11-19, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below) If you have answered "no" to each of questions 11-19, please leave the following lines blank.
____
____
____
____
____
____

21. Have you received the completed Franchise Agreement, all exhibits thereto and all other agreements you are to sign for at least 7 days?

Yes ☐ No ☐

22. I signed the Gus's Franchise Agreement and related documents on ______________________, 2022 and understand and acknowledge that none of these agreements is effective until they are signed and

dated by the President of Gus's Franchisor, LLC.

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

Dated: ___________________________, 2022

FRANCHISE APPLICANT

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____

Print Name: _____________________________

Title: ___________________________________

EXHIBIT N

FRANCHISE TERMINATION AND RELEASE AGREEMENT

FRANCHISE TERMINATION AND RELEASE AGREEMENT

_____________________________________ ("you" or "your""), for and in consideration of the consent of Gus's Franchisor, LLC, a Delaware limited liability company ("we," "us" or "our") to: (check one):

☐ the signing by you and us of a renewal Gus's Franchise Agreement and related renewal documents granting you the right to continue to operate the Gus's Franchise (the "Restaurant") that was granted to you by us pursuant to that certain Gus's Franchise Agreement dated __________, 20__ (the "Franchise Agreement").

☐ your sale of the assets comprising the Gus's Franchise to an approved transferee and the transferee's signing our then current form of Gus's Franchise Agreement with us.

do release and forever discharge, and by this document for you and your personal representatives and your heirs, release and forever discharge us, our subsidiaries and affiliates, and their respective officers, directors, shareholders, managers, members, partners, employees, servants, representatives and agents, in their corporate and individual capacities, including:

(a) claims arising under the Gus's Franchise Agreement and any other agreement between you and us or our subsidiaries or affiliates,

(b) claims under federal, state and local laws, rules and ordinances: and

(c) claims of and from any and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, contracts, controversies, agreements, claims and demands whatsoever, in law or in equity

that you, your personal representatives or heirs, have had, nor have or which you, your heirs, personal representatives hereinafter can, will or may have, for, upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the date of this Release (collectively "Claims").

This Release extends and applies to and also covers and includes all unknown, unforeseen, or unanticipated and unsuspected injuries, damages, loss or liability, and the consequences therefrom as well as those now disclosed and known to exist. The provisions of any federal, state or local law or statute, providing in substance that releases will not extend to claims, demands, injuries or damages, loss or liability, which are unknown or unsuspected to exist at the time, to the persons signing the releases, are expressly waived.

This Release expressly excludes claims arising from representations in our Franchise Disclosure

Document or its Exhibits. In addition, this release does not act as a release of any liability incurred under applicable state franchise laws including the Maryland Franchise Registration and Disclosure Law provided the laws jurisdictional limits are satisfied.

You represent and warrant to us that you have not assigned or otherwise transferred any of the Claims or any portion of the Claims. This Release extends and applies to, and also covers any and all persons from whom we may be deliberatively liable.

You will not represent yourself, directly or indirectly, as our employee, officer, agent, or representative to any person, corporation, partnership or any other entity.

WITNESS MY HAND AND SEAL on ___________________________, 20__.

YOU OR YOUR (FRANCHISEE):

____
Individual Signature

or

____
(Entity) (Print Name of Entity)

By: ____

Print Name: _____________________________

Title: __________________________________

EXHIBIT O

TABLE OF CONTENTS OF OPERATIONS AND POLICIES MANUAL

Operations Manual
Table of Contents

Section 5 – Restaurant Operations (may be found in a separate binder)

State Effective Dates

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

This Franchise Disclosure Document is effective and may be used in the following states, where this Franchise Disclosure Document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT P

RECEIPT

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Gus's Franchisor, LLC offers you a Franchise, we must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale or grant.

New York and Rhode Island require that we give you this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Franchise Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Gus's Franchisor, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Gus's Franchisor, LLC, located at 5828 Shelby Oaks Drive, Memphis, Tennessee 38133. Its telephone number is (901) 567-5261.

The issuance date of this Franchise Disclosure Document is April 15, 2022.

The franchise seller for this offering is Wendy McCrory, President of Gus's Franchisor, LLC, at 5828 Shelby Oaks Drive, Memphis, Tennessee 38133 and (901) 567-5261.

The name and address of the franchisor's registered agent authorized to receive service of process is listed in Exhibit B.

I received this Franchise Disclosure Document dated April 15, 2022, that included the following Exhibits:

A – State Addenda to FDD
B – List of State Administrators and Agents for Service of Process
C – Franchise Agreement
D – Development Agreement
E – State Addenda to Agreements
F – Electronic Fund Transfer Agreement
G –Affiliated Seller Agreement
H – Guaranty of Franchisee's Obligations
I – Agreement with Landlord
J – Telephone Number Assignment
K – List of Franchisees
L – Financial Statements
M – Franchisee Closing Questionnaire
N – General Release
O – Table of Contents of Manual
P – Receipt

PROSPECTIVE FRANCHISEE:
Entity Legal Name: ___________________________ Dated:_________________, 2022

By:_______________________________________
Print Name:______________________________
Its:_______________________________________ (Copy #1 - to be retained for your records)

RECEIPT

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If Gus's Franchisor, LLC offers you a Franchise, we must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale or grant.

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PROSPECTIVE FRANCHISEE:

Entity Legal Name: ______________________ Dated:________________, 2022

By:___________________________________
Print Name:____________________________
Its:___________________________________

Please print out the last 2 pages of this FDD (our copy of the Receipt) sign it, print your name and add the date you signed the Receipt. Then do any of the following:

1.	You can mail the signed Receipt back to us at:	Wendy McCrory, President Gus's Franchisor, LLC, 5828 Shelby Oaks Drive Memphis, Tennessee 38133
2.	You can fax the signed Receipt:	Fax: (901) 758-2366 Attn: Wendy McCrory, President Gus's Franchisor, LLC,
3.	You can e-mail the signed Receipt back to us, by scanning the signed Receipt to create a PDF and e-mail the signed Receipt back to us as an attachment to:	wendym@GusFriedChicken.com