

FRANCHISE DISCLOSURE DOCUMENT

Galardi Group Franchise Corp., a California Corporation
7700 Irvine Center Drive, Suite 550
Irvine, California 92618
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(Full Franchise)

The franchise is a quick service restaurant featuring hamburgers, hot dogs, fries, soft serve desserts, and drinks. The total investment necessary to begin operation of a new Hamburger Stand® restaurant is \$477,900 to \$1,443,500. This includes \$27,000 - \$76,500 that must be paid to us or our affiliate, and if we provide development services for construction, 5% of construction costs. If you buy an operating restaurant from us your investment may exceed these ranges because you may also buy the restaurant assets and provide us a \$10,000 deposit with your purchase offer.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ted Milburn at Galardi Group Franchise Corp., 7700 Irvine Center Drive, Suite 550, Irvine, CA 92618, phone 949-892-2652.

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

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

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

Issued: February 11, 2020

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **OUT-OF-STATE DISPUTE RESOLUTION.** THE FRANCHISE AGREEMENTS REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE US IN CALIFORNIA THAN YOUR HOME STATE.
2. YOUR BUSINESS MAY DECLINE WHEN THERE IS BAD PUBLICITY ABOUT THE TYPES OF FOOD WE SERVE, ANOTHER RESTAURANT IN OUR SYSTEM, OR EVEN ABOUT A COMPETING QUICK SERVICE RESTAURANT OR SYSTEM, SUCH AS PUBLICITY ABOUT A CRIME, INJURY, ILLNESS OR OTHER MISFORTUNE AT ANY SUCH RESTAURANTS.
3. YOUR BUSINESS WILL BE AFFECTED BY CHANGES IN CONSUMER TASTES, DEMOGRAPHIC PATTERNS, CHARACTER OF THE AREA WHERE YOUR RESTAURANT IS LOCATED, WEATHER, COMPETITION, INFLATION, FOOD COSTS, COST OF MOTOR FUELS, GOVERNMENT REGULATIONS LIKE REQUIRED DISCLOSURE OF NUTRITIONAL INFORMATION, PUBLIC ATTENTION TO INGREDIENTS, HEALTH AND NUTRITION CONCERNS, HEALTH CODES, ZONING, ENVIRONEMNT CONCERNS, WAGE AND PRICE CONTROLS, EMPLOYMENT AND WAGE LEVELS, ENERGY USAGE, AND OTHER OPERATING COSTS.
4. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN ORANGE COUNTY, CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE US IN CALIFORNIA THAN IN YOUR OWN STATE.
5. THE FRANCHISE AGREEMENT SAYS CALIFORNIA LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS TO YOU AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
6. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS WE CONTROL.

7. IF YOU ARE MARRIED, WE'LL REQUIRE YOU AND YOUR SPOUSE TO SIGN A PERSONAL GUARANTEE MAKING HIM/HER JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT YOUR SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AND SPOUSE(S) AT RISK.
8. WE AND ONE OF OUR AFFILIATES GUARANTEED FOURTEEN TERM LOANS FOR ANOTHER OF OUR AFFILIATES. AT DECEMBER 31, 2019, THE AMOUNTS WERE \$123,279; \$144,410; \$93,069; \$150,052; \$259,923; \$333,682; \$130,544; \$709,702; \$1,033,751; \$838,252; \$1,503,578; \$1,981,678; \$245,106; \$749,957; \$460,055; and \$832,187 (TOTALING \$9,589,225).
9. THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

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

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

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ITEM 1: The Franchisor and any Parents, Predecessors and Affiliates

We are Galardi Group Franchise Corp. We incorporated in 1982. To simplify language in this disclosure document, “we,” “us,” or “our” means Galardi Group Franchise Corp. and may include one or more of our affiliates. “You,” or “your” means the franchisee or person or entity (corporation, partnership, LLC, and its owners, managers, officers and directors) that buys the franchise.

Some affiliates control or are under common control with us. Our parent (majority owner) is Galardi Group, Inc. (“GGI”), incorporated in 1964. Galardi Group Franchising & Leasing, Inc. formed in 1998, owns certain operating assets related to our business. Galardi Group Franchise & Leasing, LLC, a limited liability company, formed in 2002, conducts restaurant related business after the sale of the franchise to you, and may provide services to you. Galardi Group Realty Corp. (“GGRC”) formed in 1986, may lease or sublease real property to you. We don’t have a predecessor in the sense of someone who we acquired most of our assets from.

All the above companies are formed in California. All are located at 7700 Irvine Center Drive #550, Irvine, California 92618. The phone number is 949-892-2699. See Exhibit R for our agents for service of process.

We franchise quick service restaurants, called Hamburger Stand®. Your Hamburger Stand® restaurant will feature burgers, hot dogs, fries, drinks, and related menu items. We may allow, or require, you to offer Tastee-Freez® desserts.

We or our parent and affiliates operated Wienerschnitzel® restaurants since 1964 and offered franchises since 1965. There are currently 339 Wienerschnitzel® franchises. We do not currently own or operate any Wienerschnitzel® restaurants. Since 2003 our affiliate Tastee Freez, LLC offered franchises for Tastee-Freez® restaurants selling desserts, or desserts and foods. Tastee-Freez® started in the 1950s. A predecessor offered Tastee-Freez® franchises since at least 1982. Tastee Freez, LLC currently has 10 franchises. Counting subfranchisees, and Wienerschnitzel® locations that offer Tastee-Freez®, about 339 locations offer Tastee-Freez® products.

We offer two types of Hamburger Stand® franchises: This Disclosure Document is for the full franchise. In the full franchise you obtain and build-out premises, obtain equipment, hire staff and do everything to develop and operate your restaurant. The limited franchise is described in a different Disclosure Document. The market for quick service restaurants and the foods we offer is well developed. Your customers will be all types of consumers who want a good meal served quickly at a reasonable price. You will compete with restaurants and quick service restaurants including franchises, chains and individually owned restaurants, and other meal options, like food trucks, dining at home and grocery store deli counters. Your competitive advantage will be based on following our standards and guidelines, your entrepreneurial and managerial abilities and focus on customer service in your Hamburger Stand® franchise. Under a separate Franchise Disclosure Document (“FDD”) we offer area representative franchises, which are to engage in the business of recruiting and providing support services to operators of Wienerschnitzel® restaurant franchises in their area. The area representative does not have any management responsibility in the sale or operation of the franchises listed above.

You must comply with laws and rules on operating a restaurant, health, safety and sanitation, health department inspections, menu and menu board labeling, providing calorie and nutrition information, smoking, restrictions, posting notices of chemicals and health hazards, fire safety and emergency preparedness, use, storage and disposal of containers and materials that may harm the environment or effect food or health, and on waste, insecticides and other hazardous materials, food labeling, minimum wages, overtime, working hours and conditions, unlawful discrimination, disability

discrimination and compliance, anti-terrorism, employing children and with the FDA Hazard Analysis and Critical Control Point (HACCP) food safety program. Some states require you to employ a person certified in food safety. Also, in several states, (for example, California, Illinois, and Washington) county health departments inspect restaurants and other retail food facilities for such matters as sanitation, compliance with safe food handling practices and adequacy of kitchen facilities. You must investigate and comply with these laws and regulations, despite any advice or information we may give you.

ITEM 2: Business Experience

Chairman and Chief Executive Officer: Cynthia Galardi Culpepper

Ms. Culpepper became our Chairman and Chief Executive Officer in 2013 following the death of our founder John N. Galardi. For more than 5 years, Ms. Culpepper has been a shareholder of the Company.

President: J.R. Galardi

Mr. Galardi has been our President since December 2017. He was our Executive Vice President from August 2016 to December 2017; Director of Administration from March 2016 to August 2016; Manager of Hamburger Stand from January 2016 to March 2016; and Marketing Manager from June 2012 to January 2016.

Vice President and Chief Financial Officer: Ken Wagstaff

Mr. Wagstaff has been GGI's and our Vice President, Chief Financial Officer since 2001.

Vice President of Development and Secretary: Robert E. Mathews

Mr. Mathews has been our Vice President of Development and Secretary since 2006. He has been GGI's and our General Counsel since 2003.

Vice President of Operations: Rusty Bills

Mr. Bills has been GGI's Vice President of Operations since October 2017. He was our Senior Director of Operations from November 2016 to October 2017; Director of Operations from September 2014 to November 2016; Manager of Tastee Freez and Special Projects from September 2011 to September 2014; and Franchise Area Director from March 2007 to September 2011.

Director of U.S Franchise Development: Ted Milburn

Mr. Milburn has been our Director of Franchise Development since January 2015. From November 2010 until January 2015 he was Vice President of Franchise Development for Nestle Toll House Café based in Richardson, Texas.

Chief Marketing Officer: Doug Koegeboehn

Mr. Koegeboehn has been our Chief Marketing Officer since January 2015. He was our Director of Marketing from November 2014 through December 2014. From November 1993 through October 2014, Mr. Koegeboehn was Group Account Director for DGWB. Advertising located in Santa Ana, California.

Director of Hamburger Stand®, Tastee-Freez®, Special Projects and the Limited Franchise Division:
Bejan Hendifar

Mr. Hendifar has been with Galardi Group since August 15, 2010 acting as a Franchise Area Director. Mr. Hendifar is the Manager of Hamburger Stand®, Tastee-Freez®, Special Projects and the Limited Franchise Division.

ITEM 3: Litigation

Maher Abdeljawad v. Galardi Group, Inc. (U.S. District Court for the Central District of Illinois, Case No. 2: 15-cv-02265-HAB, filed November 5, 2015.) This litigation concerns marketing and advertising of Wienerschnitzel® all-beef hot dogs with chili or chili-cheese. Abdeljawad alleges that advertising and marketing the all-beef hot dogs with chili or chili-cheese misled him and other similarly-situated consumers into believing that not just the hot dog, but the *chili* was all beef (whereas the chili contained some pork). Abdeljawad seeks to certify a class of all consumers nationwide who purchased the all-beef hot dog with chili or chili-cheese. On May 4, 2016, the parties signed a settlement agreement. Other than these actions no litigation is required to be disclosed in this Item.

ITEM 4: Bankruptcy

No bankruptcy information is required to be disclosed in this Item.

ITEM 5: Initial Fees

You pay an initial franchise fee. The initial franchise fee is \$32,000. For a second or subsequent franchise agreement you enter into with us, the initial franchise fees are reduced by 50% (thus \$16,000). For a renewal, the initial fee is \$1,600 for each year of the renewal term under the Franchise Agreement. You pay the total in a lump sum on signing the franchise agreement. It is non-refundable.

For a non-traditional location, like an in-line storefront, kiosk, convenience store, gas station, or inside a department store, the initial franchise fee is \$16,000. For a second or subsequent franchise agreement you enter into with us for a non-traditional location, the initial fees are reduced by 50% (thus \$8,000). For a renewal for a non-traditional location under the Franchise Agreement, the initial fee is \$500 for each year of the renewal term. You pay the total in a lump sum on signing the franchise agreement. This initial franchise fee is not refundable. If you diligently identified and proposed three locations to us but after a year from signing the Franchise Agreement we did not find any of them to be acceptable, and we did not identify any location acceptable to you, then at your or our written request, the Franchise Agreement can be cancelled. Franchisee's written request to cancel this Agreement must be made to the Franchisor before the end of the thirteenth (13th) month after entering into this Agreement, and Franchisor's and/or Service LLC's written request to cancel this Agreement may be made at any time after twelve (12) months from entering into this Agreement. At the end of the 13th month, the full franchise fees are not refundable without a written request. If so cancelled, we'll retain \$5,000 and return the rest of the initial franchise fee you paid.

To buy an operating restaurant from us, you deposit \$10,000 with your purchase offer and upon the purchase pay us the full purchase price in cash or cash and a promissory note. Some of the price may be used to make changes to the restaurant we deem necessary. If the sale isn't completed, we keep \$1,000 of your deposit and refund the rest. We may negotiate the \$32,000 initial fee based on factors like restaurants operating history, remaining lease term, duration of the franchise agreement, number of restaurants involved, and possibly other factors.

If an existing contract between you and us says we will sell you a franchise for a different fee than stated above, then the initial fee will be as stated in your contract.

If we provide development services for constructing a new restaurant, you pay us a fee equal to 5% of construction costs. If you develop an end-cap drive-thru location, you may pay us a \$3,000 deposit for producing site & floor plans. We reimburse any unused portion of the \$3,000.

You pay us \$4,000 for training. You pay this before starting training or on the first day of training

ITEM 6: Other Fees

Type of Fee	Amount	Due Date	Remarks (Note 1)
Service Fee	5% of Net Sales	7 th day of month	Net Sales is the total sales of all food and other items, but not counting sales taxes, over rings, refunds and tips.
National or Regional Advertising	1% of Net Sales	7 th day of month	You pay us this for national and/or regional advertising.
Advertising Contribution	3% of Net Sales. Your advertising association can increase this rate.	As set by your advertising association	If your association charges under 3% or no association is in your area, you must spend the difference on your own advertising. We can make you pay us the difference between your advertising expenditures and the 3% rate. Association members vote on association ad campaigns. In a tie, we can cast deciding vote.
Rent; Additional Rent	10% of Net Sales, subject to minimum stated in lease or sublease; also, Landlord may bill for CAM, Utilities, Insurance, Real Property Taxes and Personal Taxes.	20 th day of each month; 30 days from notice by Landlord	If you lease premises from us, you pay us monthly rent. This may exceed how much we pay if we lease the premises. Also, Landlord may bill and you pay the Landlord for such items as CAM, utilities, insurance, real property taxes, personal taxes, etc.
New Restaurant Employee Training	\$4,000	When you request this training	This fee is if we train employees at a new restaurant opened by an existing franchisee. This training is at our option.
Additional Training	Recertification renewal \$100 per person	Varies	Renewal of certification fee.
Promotional Allowances	Amount of Allowance	On receipt	You assign to us any right get promotional allowances from suppliers.
Permits, Licenses, Sales and Other Taxes	Costs we incur for permits, licenses or taxes and amount of taxes	On demand	You reimburse us for any permits or licenses we get for you. You reimburse us for any sales tax, trademarks license taxes or fees we pay on your behalf. If a government agency charges us tax for granting you a license or franchise, or for your sales, you pay the tax. If you don't then we pay the tax and you reimburse us.
Equipment Lease	Varies from \$1 per year, to 3% or 4% of monthly Net Sales, or a fixed monthly amount ranging from \$1 to \$900; costs of insurance and taxes; costs for loss or damage of equipment	First day of each month; other costs on demand	If you lease equipment from us, you pay us monthly rent. You keep leased equipment insured free of liens and pay taxes and other charges. If you do not, you pay us cost of insurance/amount of taxes and interest at lower of 1% per month or highest legal rate. If equipment is damaged or lost, you pay us original cost of item less depreciation (straight line over seven years) plus 10%. Expenses we incur in exercising rights under the equipment lease will be paid by you.

Transfer Fee	\$500 - \$3,000	On request of our consent	We charge \$500 for you to transfer franchise to an entity you control. Otherwise will charge you our then-current transfer fee (currently \$3,000 which could go up)
Service Fee	\$500 monthly	On demand	If you fail to complete your resale or renewal requirements by the agreed upon date, you will be subject to this service fee each month until the requirements are satisfied.
Insurance	Amount of premium	On demand	If you don't show us proof you have all required insurance we have the right (but no obligation) to get it at your cost.
Indemnity	Amount of loss; attorney's fees	On demand	You protect us from loss or damage occurring at your premises. If we are sued, you defend us. If you don't we can defend ourselves at your expense. You pay any judgment against us.
Audit	\$100 to \$1,000	On demand	If you underreported net sales by 2% or more, you pay the underreported amount and also pay our audit costs.
Product Testing	\$1,000	On demand	If you want to get items, meeting our standards, from someone we haven't approved, you give us information we want about the proposed source. We may require them or you to pay for testing items.
Attorney's Fees and Court Costs	Amount of fees and costs	On demand	In an action relating to franchise agreement or your advertising association you reimburse our (or, if applicable, advertising association's) attorney's fees, court costs, and other costs if you are unsuccessful.
Late Charge	10% of delinquency	On demand	If you do not pay us or your advertising association on time, you pay an additional 10% of the amount overdue plus interest, noted below.
Interest	Lower of 18% per year or highest rate allowed by law for non-personal loan	On demand	If you do not pay us on time, you pay interest in addition to 10% late charge noted above.
Failure to Complete Purchase of Assets	\$1,000	Immediate	If we accept your offer to buy assets of an existing restaurant and your purchase is not completed, we keep \$1,000 of your deposit.
Real Estate Assignment Fee	\$15,000 for each location	Close of purchase or lease transaction	You pay us if you assume a purchase or lease contract for a property we have under contract.
Breach service charge/costs of remedial action	\$250 or other reimbursement of expenses to cure (varies)	On demand	For breach or default we can charge you \$250 and require you to pay our costs/expenses for remedial or cure actions we take re-maintenance, design, décor, appearance, obsolescence or any aspect of the restaurant.
Reimbursement for Employer Related Costs	Varies	On demand	You pay us for any costs/expenses like wages, salaries, taxes and/or other payroll-related costs/expenses for any of your employees or independent contractor if we are deemed to be the employer.
Point of Sale System	\$720 per year for Galardi Group Help Desk or if you use an outside vendor such sum is approximately \$1,300 per year.	On demand	This fee is for access to the Galardi Group Help Desk and Point of Sale software licensing fees.

1. All fees are imposed by and collected by us or our affiliate and are paid to us, except that contributions to an advertising association are paid to the association. None of these fees are refundable, except that if an insurance policy is cancelled before it expires, a portion of the premium may be refundable from the insurance company. All fees are uniformly imposed.

ITEM 7: YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$16,000 - \$32,000 (Note 2)	Lump Sum	On signing Franchise Agreement	Us
Net Rent	\$7,500 - \$36,000	Check or Automated Payment	Typically Monthly	Us or landlord/property owner directly
Equipment Furniture, Furnishings, Fixtures	\$171,000 - \$300,000 (Note 4)	Varies	Before opening	Vendors
Small wares (Note 5)	\$4,400 - \$6,500	Check or Credit Card	Before opening	Approved distributor/vendor
Opening inventory	\$5,000 - \$8,000	Lump Sum	Before opening	Approved distributor & local vendors
Training (Note 6)	\$4,000 - \$8,500	Lump Sum	Before opening	Us; travel and lodging providers
Insurance	\$3,000 - \$21,000	Check or credit card	Before opening	Insurance company
Uniforms	\$1,500	Lump Sum	Before opening	Uniform suppliers
Security Deposits (Note 7)	\$3,500 - \$13,000	Lump Sum	(Note 6)	Landlord and Utilities
Real Estate Improvements	\$250,000 - \$1,000,000 (Note 8)	(Note 8)	(Note 8)	(Note 8)
CPA/Lawyer (Note 9)	\$1,500 - \$7,500	Varies	Before opening	CPA/Lawyer
Additional Funds- Three months (Note 10)	\$10,000 - \$20,000	Varies	Varies	Miscellaneous suppliers/trade persons & others for incidental and other costs
Additional investment for purchase of operating restaurant	(Note 10)	Varies	Before opening	Us
Total (Notes 1,11, & 12)	\$477,900 - \$1,443,000 (Notes 1,11 & 12)			

Notes:

1. This table estimates your anticipated initial investment for the period before opening your franchise until about three months after opening. These are only estimates.
2. For a traditional full location, the initial franchise fee is \$32,000. For a second or subsequent franchise agreement you enter into with us, the initial franchise fees are reduced by 50% (thus \$16,000). For a non-traditional location, like an in-line storefront, kiosk, convenience store, gas station, food court, casino, or inside a department store, the initial franchise fee is \$16,000. For a second or subsequent

franchise agreement you enter into with us, the initial franchise fees are reduced by 50% (thus \$16,000, or for a non-traditional location, \$8,000). You pay the total in a lump sum on signing the franchising agreement. It is non-refundable, except in specific instances

3. Estimated rent for three months. Rent will depend on market conditions, location, size, condition of premises, and a wide range of other factors. The low estimate assumes monthly rent of \$2,500. The high estimate assumes monthly rent of \$12,000. Rent at the low end of the range, while possible, is rare. It is possible your rent could exceed the high estimate if you choose a location at a higher monthly rental. If you sublease from us, your rent may exceed the rent we pay under our lease.
4. You provide furniture, fixtures and equipment ("FF&E"). Required FF&E typically ranges from \$117,000 to \$300,000 depending on restaurant design and equipment you may be required to purchase. This estimate also includes approximately \$11,000 to \$20,000 for the Micros POS system we require you to purchase. The low estimate assumes your cost for signage will be about \$35,000 and about \$5,000 for exterior seats.
5. This estimate is for a range of cooking and related utensils.
6. You pay us a training fee of \$4,000. The high estimate of \$8,500 assumes you also have \$5,000 of travel, lodging and living expenses for the classroom portion of training in Irvine, and for training at the training restaurant closest to you. (\$1,000 for travel, \$100 lodging, and \$50 food per day x approximately 40 days). It is possible for your expenses to be higher if you train at a more distant restaurant or select higher priced lodging or food. The low estimate of \$3,500 assumes you are local enough to the area where training occurs so that you do not have those expenses.
7. Estimated security deposits consist of one month's rent to lessor and security deposits to water, electricity, gas, telephone, and other utilities. The low amount assumes rent/security deposit is \$2,500. The high amount assumes rent/security deposit is \$12,000. The estimates assume about \$1,000 of utility security deposits. Deposits are normally held for the term of the agreements.
8. You provide real estate and improvements, typically leasing or possibly buying these. If we provide development services for constructing the restaurant, we charge you a fee equal to 5% of construction costs. This is optional to you. We do not offer this service in all areas. If you develop an end-cap drive-thru location, you may pay us a \$2,000 deposit for producing site and floor plans. We reimburse any unused part of the deposit. Total costs for improvements (excluding equipment) is typically \$250,000 to \$1,000,000, but can vary widely, even outside this range, based on costs of property, design of restaurant and many other factors. Non-traditional franchise costs are sometimes lower due to use of an existing facility. Lessors sometimes contribute to development costs; sometimes these costs are more than the lessor is willing to contribute. Typical excess costs are in the \$3,000 to \$20,000 range, which you pay before opening. Sometimes we may allow these costs to be added to rent a rate equal to the rate of return paid to a primary lessor for improvements. The low estimate of \$250,000 is for an existing facility converting to Hamburger Stand®.
9. Estimated professional fees for you to consult an advisor like a lawyer or CPA regarding the investment and agreement(s).
10. Minimum, ongoing estimated working capital requirement. You should have additional working capital in the range indicated, or possibly more, to be able to pay your expenses until your revenues provide you money to do so. This could take more than the first 3 months of operating, but the working capital estimate is only for three months.
11. If you buy an operating Hamburger Stand® restaurant from us, you will have an additional investment cost equal to the amount we charge to sell you the assets of the operating restaurant (including a \$10,000 deposit with your offer). Cost can vary widely depending on location, equipment at the restaurant, its operating history, lease terms, negotiations, and other factors.
12. Amounts on each row are only estimates and may vary for many reasons. The total is a sum of many estimates and thus has greater potential to differ from your actual investment. You are unlikely to achieve the low amount for every item; therefore the total low estimate is unlikely to be achieved. Do not rely on this table as a definitive statement of your investment. Use it as a start for independent analysis with your accountant or other business advisor. Generally, none of the expenses in this

table is refundable, except that security deposits may be refundable and some of the premium may be refunded when an insurance policy is cancelled before its term ends. In some instances, we may finance part of the initial investment. See Item 10.

ITEM 8: Restrictions on Sources of Products and Services

You must get our approval for your location. We mutually agree to the location when the Franchise Agreement is signed (and state it in the agreement) or you propose a location for our approval; and after we approve, the location will be inserted in Section 3(A) or stated otherwise in writing. We provide you our location criteria in our site selection handbook.

You may be able to buy an operating Hamburger Stand® restaurant (and its inventory) from us. You also buy from us the signs, equipment and other property of the restaurant.

You must install and use signs, furniture, furnishings and equipment that we require. We tell you in writing what we require. The required point-of-sale system and computer hardware and software are described in Item 11. We can require you to get additional equipment or replace equipment.

You can get supplies from who you want that meet our specifications and have our approval for quality control, uniformity and protecting our trademarks. On request we'll give you names and addresses of suppliers we approve to sell you equipment, supplies, trademarked paper goods and other products. We can add or remove approved suppliers. We are an approved supplier for any items we choose to supply, but currently we do not supply any items.

On request we tell you our standards for items you must use in operating your restaurant. If you want to get these from someone we haven't approved, then give us all the information we want about the proposed source. We may require them to give us samples, pay for testing the items you want them to supply and sign our License Agreement. Then we'll tell you if we approve the proposed source. If we don't approve we'll tell you why. This can take 90 days. We can revoke any approval by telling you in writing. Our criteria for approving suppliers is available on request.

Our menu includes Tastee-Freez® desserts; Tastee Freez, LLC is our affiliate. Our menu includes products of the Pepsi-Cola and Dr. Pepper companies, which are publicly traded. Any of our officers or personnel could own stock in those companies. Otherwise, Galardi Group officers do not own an interest in our suppliers.

We and our affiliates derive revenue from real property and equipment we lease to franchisees. We do not derive revenue from other items you buy or lease. GGI and GGRC's total revenues for 2019 from full franchised Hamburger Stand® restaurants were approximately \$888,501 and \$405,479 for real property and leased equipment. We ("GGFC") do not derive revenues from required purchases or leases.

We estimate that all your purchases and leases from us are approximately .5% to 17% of all purchases and leases of goods and services in establishing the franchise and approximately 9% to 25% of all your purchases and leases of goods and services in operating the franchise.

We get revenue from the company you buy soft drink syrups from. The revenue is payments they make to us based on how much syrup you buy. Soft drink syrup manufacturer payments for 2019 totaled \$2,511,145. \$2,511,145 of this revenue goes in our National Advertising Fund for advertising and marketing. We may also derive revenue on a similar basis from other suppliers.

We negotiate purchase arrangements with suppliers. We require product suppliers to agree to maintain quality and adhere to our specifications and other provisions. We do not offer benefits like granting additional franchises or other benefits based on purchases of particular products or services or use of particular suppliers, but the Franchise Agreement requires you to comply with our requirements for buying from approved suppliers. Some franchisees are members of advertising associations comprised of Hamburger Stand® franchisees in geographic regions we designate. Otherwise, we do not know of purchasing or distribution cooperative associated with us or our franchisees.

ITEM 9: Franchisee's Obligations

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

Obligation	Sections in Agreement	Items in Disclosure Document
A. Site selection, acquisition/lease	Fr. Agmt. §§ 3 & 10	6, 7 & 11
B. Pre-opening purchase/leases	Fr. Agmt. §§ 3, 7, 10, & 11; Offer to Purchase	7 & 8
C. Site development & other pre-opening requirements	Fr. Agmt. §§ 7 & 10	6, 7, 8 & 11
D. Initial & on-going training	Fr. Agmt. §§ 7, 8, & 10	6, 7, 11 & 15
E. Opening	Fr. Agmt. §§ 8 & 10	7 & 11
F. Fees	Fr. Agmt. §§ 5, 6, 9, 10(g), 13, 17(b), 18(e), 18(f); Direct Debit Agmt; Offer to Purchase § II; Guaranty; Prom. Note; Ad. Assoc. Agmt. §§ 12, 17; Promo. Allowance Assignment; Consent to Transfer § 13; Right to Cure Default §§ 4 & 7	5, 6, 7, 10, 11 & 17
G. Compliance with Standards & Policies/Operations Manual	Fr. Agmt. §§ 7, 10 & 11	7, 11, 15, 16 & 17
H. Trademarks & Proprietary Information	Fr. Agmt. §§ 10, 11, & 12	6, 8, 12, 13 & 14
I. Restrictions on products/services offered	Fr. Agmt. §§ 10 & 11	11 & 16
J. Warranty & Customer Service Requirements	Fr. Agmt. §§ 10, 11, & 18(a)	11, 12, 16 & 17
K. Territorial Development & Sales Quotas	Fr. Agmt. § 3	12 & 16
L. On-going Product & Service Purchases	Fr. Agmt. §§ 8, 10, & 11	6, 8, 11 & 16
M. Maintenance, Appearance & Remodeling Requirements	Fr. Agmt. §§ 7, 10, 11	6, 7 & 17
N. Insurance	Fr. Agmt. § 17	6, 7 & 17
O. Advertising	Fr. Agmt. § 9; Advertising Assoc. Agmt., Promotional Allowance Assignment Agmt.	6, 7, 8 & 11
P. Indemnification	Fr. Agmt. § 17; Offer to Purchase § IX; Continuing Gty; Consent to Transfer Agmt. § 8	6, 13 & 17
Q. Owner's Participation/Management/Staffing	Fr. Agmt. §§ 2 & 10	6, 11 & 15

R. Records & Reports	Fr. Agmt. §§ 6, 16	6 & 17
S. Inspections & Audits	Fr. Agmt. §§ 6, & 16	6 & 17
T. Transfer	Fr. Agmt. § 13; Dep. Agmt. § 4; Consent to Transfer Agreement.; Right to Cure Default and Consent to Assignment Agreement. (Landlord); Offer to Purchase Secs. VII, VIII & IX	6 & 17
U. Renewal	Fr. Agmt. – None; All Other Agreements – None	5, 6, 10 & 17
V. Post-termination obligations	Fr. Agmt. §§ 12(c), 13, 14 & 15	17
W. Non-competition covenants	Fr. Agmt. §§ 12 & 15	17
X. Dispute resolution	Fr. Agmt. – None; All Other Agreements - None	17

ITEM 10: Financing

Summary of Financing Offered (Note 1)

Item Financed	Amount Financed	Down Payment	Term (MOS)	APR %	Monthly Payment	Prepay Penalty	Security Required	Liability on Default	Loss of Legal Right on Default
Purchase of operating restaurant from us	\$2,500 - \$100,000	\$2,500 - \$25,000	24 – 120 months (Note 2)	9% - 11%	\$300 to \$750	None	None (Note 4)	Individual liability & default of franchise agreement	Acceleration of debt, termination of franchise, attorney's fees, costs (Note 5)
Renewal of franchise	\$5,000 (Note 3)	\$5,000	24 months	N/A	\$333.34	None	None (Note 4)	Individual liability & default of franchise agreement	Acceleration of debt, termination of franchise, attorney's fees, costs (Note 5)

Notes:

1. Financing listed in this table is provided by us or our affiliate. We will comply with applicable laws governing direct financing offered by us to you including, if applicable, the California Finance Lenders Law.
2. Term depends on amount paid per month, total borrowed and rate.
3. For a traditional location, the fee for a renewal is \$1,600 per year renewed; the usual term is 10 years. A \$16,000 renewal fee may be paid all cash or one installment of \$8,000 and 24 monthly installments of \$384.10, (which amount includes processing fees) at your option. For a non-traditional location, the fee for a renewal is \$500 per year renewed.
4. The promissory note is signed by you, the franchisee. If the franchisee is an entity, we require a personal guaranty to be signed by the individual owner(s) and spouse(s). The form of guaranty is Exhibit F to this Disclosure Document.
5. In the promissory note you waive the legal defenses of presentment for payment, notice of dishonor, protest and notice of protest. You do not waive other defenses or other legal rights and you are not barred from asserting other defenses. We do not have a practice or intent to sell,

assign or discount all or part of any financing to any third party. We do not place financing with a lender or receive consideration for doing so.

ITEM 11: Franchisor's Assistance, Advertising, Computer Systems, & Training

A. Services We Provide

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

Before you open we will:

1. State the location for your restaurant. (Fran. Agmt. Sec. 3)
2. Offer you our standard sublease for the location, or provide you plans so you can have a restaurant built at the location. (Fran. Agmt. Sec. 7(a))
3. State the term of your franchise (Fran. Agmt. Sec. 4)
4. If you buy assets of an operating restaurant from us, we will transfer those assets to you. (Terms of Purchase Offer)
5. Provide you initial training in operating a Hamburger Stand® restaurant. (Fran. Agmt. Sec. 7(b))
6. Loan you our confidential operations manual. (Fran. Agmt. Sec 7(c))
7. We are not obligated to but we could possibly obtain and/or pay for license or permits you need. If so, you must reimburse our expenses and costs. (Fran. Agmt. Sec 3(e))

Most of these services are provided by Galardi Group Franchising & Leasing, LLC. In addition, to the extent we deem necessary, we'll provide you specifications for products and designated suppliers from which you agree to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the restaurant.

You choose the location. Usually, you lease or buy the location from someone other than us. You must get our approval for your proposed location. This usually takes thirty (30) days from when we have all necessary information on the proposed location. In choosing a location, or approving one you propose, we consider many factors, among them traffic count, how many people live and work in the area, visibility, our own comparison of rent to our estimate of sales, family income in the area retail business climate in the area, and how close the location is to other restaurants affiliated and not affiliated with us, as examples.

None of the agreements relating to the franchise states a time limit for us to choose a location, or tell you if we approve a location you propose.

You must make sure the location meets all local ordinances, building codes, zoning and obtain any required permits. You are responsible to construct and decorate the premises, and obtain and provide equipment, fixtures, signs, inventory, and supplies, according to our standards.

The length of time between you signing a Franchise Agreement and opening the restaurant for business depends on factors like availability of locations, time taken to choose a location and negotiate a lease, time taken for construction and getting government approvals. These can be affected by other factors like weather, the contractor meeting a build-out schedule, time needed to get building permits, and time needed to get equipment delivered and results of local government inspections of the location. The length of time typically ranges from nine months to two years.

During the operation of your full franchise, we will:

1. Provide opening supervision and help at your location from our employees. (Fran. Agmt. Sec. 8(a))
2. Provide opening promotion programs directed by our Marketing Department. (Fran. Agmt. Sec. 8(b)).
3. Maintain a school and provide training in operating a Hamburger Stand® restaurant. (Fran. Agmt. Sec. 8(c))
4. Evaluate and test food and beverage items and operational methods for possible use in our system. (Fran. Agmt. Sec. 8(d))
5. Provide merchandising and marketing and advertising research data and advice we develop and think will be helpful to you. (Fran. Agmt. Sec. 8(e))
6. Provide techniques and instructions that we develop and think will help you. (Fran. Agmt. Sec. 8(f))
7. Provide an accounting, cost control, and portion control system. (Fran. Agmt. Sec. 8(g))
8. Review advertising you submit for our approval. (Fran. Agmt. Sec. 9)
9. Evaluate suppliers you want to use and tell you if we approve them. If we don't approve we'll tell you why. (Fran. Agmt. Sec. 11(e) and 11(f))
10. We are not obligated to but we could possibly obtain and/or pay for license or permits you need. If so, you must reimburse our expenses and costs. (Fran. Agmt. Sec. 3(e))

Many of these services are provided by Galardi Group Franchising & Leasing, LLC.

B. Advertising Program

You must join an advertising association formed for the marketing area of your location and recognized by us. We define your marketing area using a geographic "Designated Market Area" ("DMA") or "Area of Dominant Influence" ("ADI") which are geographic marketing areas determined by Nielsen or Arbitron. They are not affiliated with us. We could define your marketing area some other way. Other Hamburger Stand® restaurants in the marketing area we define are also members.

You must sign agreements required by the advertising association. If you are one of the first two Hamburger Stand® owners in your area, we may require you and the other owner to form the association. If you cannot agree on terms, you both must submit the matter to us to decide the terms of your association. However, we do not have express power under the agreement to form, alter or dissolve your advertising association.

One of the requirements for us to recognize your participation in your association is that you and your association sign an advertising association agreement with us. The association's members vote on advertising programs. If there is a tie, we can break the tie. We can also veto any decision or action. There are not a significant number of company-owned locations, so typically, advertising associations do not include company-owned locations as a member.

Your association must have officers (President, Treasurer, etc.). The officers are a committee that coordinates meetings, recommends advertising programs to the association members, approves media schedules, and makes budgets. The association must meet at least four times per year. The association must choose an advertising agency to carry out advertising programs. The agency must meet our approval and comply with our advertising guidelines. The association must provide members at least quarterly financial statements, including a statement of receipts and disbursements, and list of accounts receivable and accounts payable.

All advertising by you or your association must first get our written approval. After you submit proposed advertising, we have 15 days to respond or it is deemed to be approved. You can't use any

trade name other than Hamburger Stand® or other trade names owned by us, or approved by us in writing in your advertising.

As a franchisee you must contribute at least 3% of your net sales to the association. Your association can decide to require more money from you. You must pay what they require. If your contribution is under 3%, we can require you to pay us the difference between 3% and your actual contribution. If there is no association in your area, you must spend at least 3% of your net sales on your own advertising each month. There are not a significant number of limited franchises, therefore advertising associations may not receive contributions from limited franchises. For a limited franchisee we pay the advertising association contributions.

We can require you to pay us 1% of net sales for a national or regional advertising program. We debit this from your account each month. Your 1% contribution will be directed to a National Advertising Fund. We contribute the same 1% for limited franchises in the DMA.

We formulate and implement marketing plans, supervise preparation of advertising and promotion materials and provide layouts, window cards and other materials for local promotions. We do not have an obligation to advertise in particular media, in any particular geographic area, or at all, nor any obligation to spend any particular amount(s) on advertising. We provide unaudited financial statements for the National Advertising Fund on your request.

You must assign to us all marketing or promotion allowances you may get or become entitled to from suppliers. The assignment form directs them to pay the allowances directly to us. We'll use these funds for public relations, promotion, creating advertising and to reimburse our administrative costs and agency fees and related overhead.

In a brand crisis that brings media attention, you must direct all inquiries to us.

Apart from the advertising associations, discussed above, there is no franchisee advertising council that advises us on advertising.

C. Website and Internet

We can, but we are not obligated to, establish and maintain one or more websites promoting the trademarks and system. We have sole control over the website and social media. We can stop its operation at any time without notice. Unless you get our prior written consent, you are not allowed to establish or maintain a separate website, or a splash page or other presence on the Internet or through any social networking site relating to the operation of the business. If we grant you a right to operate a separate website or Internet presence, you must do so according to our standards and policies in the Manual or otherwise in writing from time to time. We can modify or supplement our policies regarding social media and internet use at any time in writing, whether as part of the Manual or otherwise.

D. Point of Sale System

We require you to buy or use the Micros® point of sale system ("POS"). At the Effective Date of this Disclosure Document, we required the model 3700 version 5.5. (This could change.) The system we require is a minimum of 2 workstations (registers) and 3 kitchen display systems. You buy this from the manufacturer, Oracle, Inc. They are not affiliated with us. Or this may be part of the equipment we lease to you. The cost, including order entry work stations, video monitors, receipt printers, back-office computer/printer and cabling, is approximately \$11,000 to \$20,000. This includes hardware, software,

one-year warranty of system components, and first year software support. Currently, the help desk together with the software licensing fees are about \$1,300 per year; or if you choose to use the Galardi Group Help Desk by itself, the cost is \$720 per year. You obtain hardware maintenance service from the manufacturer. A hardware warranty after the first year is available at additional cost. We can require you to upgrade, replace or make other changes to the POS System; there is no restriction on how much this may cost you or how often we can require this. We have independent access to any and all information generated or stored in the POS System. There are no contractual limits on our right to access that information.

You must participate in any computer network, intranet system or extranet system we implement and do so in compliance with standards, protocols, and restrictions we specify. As examples, we could require participation to submit reports, receive updates to Manual(s), or for other communications.

E. Operations Manual

We'll loan you a laptop to gain access to the electronic Operations Manual. Its table of contents is attached as Exhibit M to this Disclosure Document. As of the date of this Disclosure Document it consists of approximately 550 pages. By looking at the table of contents you can see the number of pages devoted to each subject.

F. Online Training

Our training includes the required use of our online Learning Management System (LMS) which is required for Team member through Operator Training and includes ongoing education for Team member through Operator certification.

We may require that you and your General Manager be periodically re-certified every five years

G. Initial Training – Operator-in-Training

We provide initial training and on-going training. You or your General Manager, or majority owner if you are an entity, must complete initial training. This occurs after you sign the Franchise Agreement and must be completed before you open your restaurant. Within this range, the Franchise Agreement is not more specific as to timing of training.

You pay us \$4,000 for initial training. You pay before starting training. Classroom training is at our headquarters in Irvine, California. We have the right to also choose another location. Training restaurants are in the Los Angeles, San Diego and San Jose, California; Denver, Colorado; Lubbock, El Paso, and Amarillo, Texas; Phoenix, Arizona; and Albuquerque, New Mexico areas. You pay your own transportation and living expenses. We provide all training materials and manuals, which consist of our Operations Manual, training videos and our Operator Training Notebook. These are confidential. We offer initial training eight times per year.

You are not compensated for your activities during training, even though they may also benefit us or the operator of a Hamburger Stand® restaurant.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Ours of On-the-Job Training	Instructor
Module One - Basic Restaurant Operations	None in this module	10 hours a day for 6 days a week for 2 weeks	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Two –Guest Service	8 hours a day for 5 days a week for 1 week	10 hours a day for 6 days a week for 1 weeks	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Three - Designated General Manager/Financial	8 hours a day for 2 days	10 hours a day for 4 days	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Four - Designated General Manager/Coaching	None in this module	10 hours a day for 6 days for 2 weeks	Training Restaurant Trainer and David Kreitlow/Matt Steele
Module Five – Restaurant Opening (required when opening a new restaurant)	None in this module	10 hours a day for 6 days a week for 1 week	Training Restaurant Trainer and David Kreitlow/Matt Steele
Total Training Hours (Estimated)	56 hours	480 hours (530 hours if there will be a new restaurant opening)	See above

Initial Training – Operator-in-Training

Our Operator-in-Training Program is an intense eight-week program that acquaints you with day-to-day requirements of operating a restaurant. The program involves a six-day workweek, averaging ten or more hours per day. You will need to devote additional time for reading and homework. This program is self-paced designed to effectively prepare you to operate as an independent businessperson.

Our training instructors are experienced in operating and instructing others in skills needed to operate, quick service restaurants. Our Training Department has no operational responsibility for the restaurant where you will train, therefore, our efforts focus on providing you a complete training experience. David Kreitlow has 37 years training experience in quick service restaurants, including 30 years with Galardi Group. Matt Steele has over 13 years in restaurant training including 5 years with GGI.

Our training program is divided into five modules; consisting of 7 weeks and 4 days in an approved training restaurant and one week and two days in a classroom environment, which is a total of 8 weeks

Module One – Basic Restaurant Operations

In the first Module you will learn in the same manner as an employee. This portion of training will be in an approved certified training restaurant. You will work in the kitchen preparing all menu items and perform cleanup and restocking. You will prepare condiments, and perform tasks to open and close the restaurant – including janitorial. Your performance will be evaluated through written evaluations, compliance with station standards and written testing. You must achieve a score of 90% or better to advance to Module Two.

Module Two – Guest Service - Front Counter and Drive through and Tastee Freez

In the second Module you will learn in the same manner as an employee. This portion of training will continue in an approved certified training restaurant. You will work in the service system serving guests, and serving soft serve desserts. You will also get to learn the basics in the daily paperwork of the restaurant. Your performance will be evaluated through written evaluations, compliance with station standards and written testing. You must achieve a score of 90% or better to advance to Module Three.

Module Three – Designated General Manager/Financial

This Module is a blend of classroom and certified training restaurant level learning. You will improve on your operations skills and learn about the administration side of the business. You must achieve a score of 90% or better to advance to Module Four.

Module Four – Designated General Manager/Coaching

This module consists of one on one business coaching with an existing franchisee. This training is for two weeks at an existing restaurant.

Module Five – New Restaurant Opening

Module Five consists of attending a new restaurant opening. This module is required if you will open a new restaurant. This training is for one week at a new restaurant opening. You will attend a restaurant opening, other than your own, to help prepare you for your restaurant opening.

On-Going Training

Every six months, after you start operating your restaurant, you must attend on-going regional training. This may be in-person at a meeting place in your restaurant's marketing area or by other means, such as a conference call. This is to help you further develop your restaurant and management skills. A session lasts about four hours. You may attend as many sessions as you wish, and you must attend at least one session per six-month period based on a calendar year.

We offer other training programs to you or your employees, which are voluntary. The cost and subjects vary.

ITEM 12: Territory

The franchise is for a specific location, to be stated in the franchise agreement. You must conduct only the business of the restaurant there, and can't change the location without our consent. You can do business with customers at your location regardless of where they are from.

We won't grant a Hamburger Stand® franchise or own or operate a Hamburger Stand® restaurant within ½ mile from your franchise or one mile on the same street (the street your address is on). These restrictions don't apply in a stadium, shopping mall, hotel, office building or other institutional location we determine won't materially compete with you, or a temporary cart, booth, mobile vehicle or the like, at a fair, trade show, concert or similar event. These restrictions also don't apply to sales of Hamburger Stand® branded products in grocery stores, food retail stores or other channels of distribution. Thus, you do not receive an exclusive territory. You may face competition from other franchisees, outlets we own, or other distribution channels or competitive brands we control. The Franchise Agreement does not state other grounds for us to modify the ½ mile exclusivity.

There is no restriction on us soliciting or accepting orders from your territory. We could conduct sales by internet or other distribution channels or means or other trademarks. You are not compensated for us soliciting or accepting orders in territory you serve. You are not restricted from advertising in any geographic area. We do not permit you to sell off the premises of your restaurant.

We granted franchises under other trademarks and may continue to do so. These include Wienerschnitzel®, which offers the same kinds of goods and services as Hamburger Stand® and Tastee-Freez®, which emphasizes desserts and offers many of the same items as Hamburger Stand®. There could be other trademarks in the future. We can operate or grant franchises for these restaurants in your exclusive area. We operate Hamburger Stand® and the other brands from the same location. We have the right to co-brand other concepts with the Hamburger Stand® brand. We do not have separate offices or separate training facilities for different brands.

We do not have a specific plan for solving conflicts between franchisees of our different systems as to territory, customers or support; we expect we would consider the matter and act based on our determination of parties' rights and obligations; and/or seek to make adjustments in good faith; however, the specific course of action would depend on the circumstances.

We aren't required to grant you an additional franchise. We don't grant you a first refusal right to buy other franchises. We do not know the conditions in which we would approve your relocation request but we expect it would depend on the circumstances and require you to secure a satisfactory new location, evaluated in relation to your existing location and other criteria we use to evaluate proposed locations at the time, as well as possibly other factors we consider appropriate at the time. We are not required to consent to your request to relocate the franchise.

ITEM 13: Trademarks

The main trademarks you are licensed to use are the word "Hamburger Stand®" and our logo that appears on the cover page of this Disclosure Document. We claim common law rights to the trademarks based on use. At the effective date of this Disclosure Document our application is pending for registration of the above mark on the Principal Register in the U.S. Patent & Trademark Office (App. Serial No. 86483365, filed December 14, 2014).

There are no material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board or any state trademark administrator or court; and no pending infringement, opposition or cancellation proceeding involving these trademarks, except as follows: We may on occasion bring an action for trademark infringement against a terminated franchisee who continues to use our trademarks without authorization. There aren't any agreements in effect that significantly limit our rights to license the use of the marks to you. We don't know of any superior rights or infringing uses of the marks that could materially affect your use of them. However, it is possible that in appropriate circumstances others could claim they may use the phrase "hamburger stand" in a merely descriptive sense.

We do not have to defend you against any infringement, unfair competition or other claim regarding your use of our marks. You must stop using any mark when the franchise ends. We can require you to change marks. We don't have to compensate you for making you change marks.

The Franchise Agreement does not state a requirement for you to notify us of the use of or claim of rights to an identical or confusingly similar trademark. We are not required to take action if notified of such uses or claims. We claim the right to control administrative proceedings or litigation involving a trademark licensed by us to you, though the Franchise Agreement is silent on this.

We own the domain www.hamburgerstand.com. You cannot register as a domain name any of our Marks or similar words. We have the sole right to advertise on the Internet and create, use, or stop using a website containing the Marks. Unless we consent in writing, you must not link or frame our website, conduct any business or offer to sell or advertise any products or services on the web, or create or register any Internet domain name connected with your franchise.

ITEM 14: Patents, Copyrights and Proprietary Information

We registered the copyright of an earlier version of our Operations Manual in the Copyright Office of the Library of Congress in 1976 (no. 801001). The duration of that copyright is believed to be 95 years. The current version is two (2) volumes. It has instructions, techniques and specifications required in operating a Hamburger Stand® restaurant. The table of contents is Exhibit M to this Disclosure Document.

We claim copyright ownership in advertising we develop, advertising we provide you, our website www.hamburgerstand.com, the Tastee-Freez® website www.tasteefreez.com, our restaurant décor, packaging and other materials we create. Otherwise, there aren't any copyrights material to the franchise but this is not a waiver of our other copyright rights.

We don't have a contractual obligation to protect copyrights or defend you against claims from your use of the copyrighted Operations Manual. We are not obligated to take affirmative action if notified of infringement, or indemnify you for expenses or damages in proceedings involving the Operations Manual.

You must keep the contents of your franchise agreement confidential. We also consider other information we provide you to be trade secrets and you must keep this information confidential. This includes ingredients, business methods, contents of the Operation Manual, and other information we designate as confidential. You must keep your employees from disclosing this information, and if we ask, require them to sign confidentiality agreements.

We may modify the Operations Manual under any conditions and to any extent we decide, such as to meet or anticipate competition, protect trademarks or trade names, or improve products and services. The Franchise Agreement does not grant you rights if we modify or require you to stop using the Operations Manual.

We do not own or license rights in any patents that are material to the franchise. We do not have any patent application pending.

ITEM 15: Obligation to Participate in the Actual Operation of the Franchise Business

You, or a person you appoint, must be designated as General Manager and have full operational control of your Hamburger Stand. We recommend, but don't require, that you operate the Hamburger Stand personally on the premises. You and your General Manager must complete our training program as further described in Item 11.

You, your managers and other key personnel in your franchise, during the term of the Franchise Agreement and for two years after it ends, must not sell similar food products or have any interest in a competing business within 25 miles of any of our restaurants or franchises (including those in development during the year prior to the Franchise Agreement's end) and you and they must not ever use any of our packaging techniques, processes, food preparation methods or formulas.

We may require you and your spouse, if any, to sign a personal guaranty.

As stated in Item 11, you and your General Manager must have completed our training program prior to opening your Hamburger Stand.

ITEM 16: Restrictions on What the Franchisee May Sell

You must sell all the items we designate and you can't sell anything else without our approval. Everything you sell must be high quality and prepared according to our specifications. You can sell only at retail (not as wholesale) and only at the restaurant location.

You can't have any vending machines, video or pinball game or coin or token operated machine at the restaurant. Liquor, drugs, and illegal substances aren't allowed on the premises.

There is no restriction on the customers you may sell to.

We can change or discontinue any products or services authorized for Hamburger Stand® restaurants. There is no restriction on our right to do so. You must change or stop offering any product or service within the time we state.

Subject to our consent, you may utilize a third-party delivery service to facilitate sales to your customers.

ITEM 17: Renewal, Termination, Transfer, and Dispute Resolution

THE FRANCHISE RELATIONSHIP

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

Franchise Agreement

(Please see the Notes following the tables in this Item 17)

Provision	Section in Agreement	Summary
A. Length of the franchise term	Sec. 4	Length of franchise term is negotiable. Usually it is 20 years. If you buy an existing Hamburger Stand® restaurant, the term may be less, but usually not less than five (5) years.
B. Renewal or extension of the term	None	You don't have a right to renew. We'll discuss renewal with you 9 – 14 months before franchise expires. If you meet our criteria, and agree to additions and upgrades, we may be willing to grant a renewal. We are not required to renew.
C. Requirements for franchisee to renew or extend	None	This is at our discretion. If we are willing, we'll require you to make corrections, additions and upgrades to the restaurant. Funds to do this must be available 3 months before expiration. If requirements are not done before expiration, you must place the funds in an attorney's trust account and release only on our approval. We'll require you to sign general release of claims. A \$1,500 document preparation is charged to you if you fail to meet criteria requirements and documents must be extended. We may require you to sign an agreement with materially different

		terms and conditions then the agreement it replaces or extends. You will pay a new initial franchise fee.
D. Termination by franchisee	None	If you diligently proposed locations to us but after one year we did not approve any location you proposed and we did not identify any proposed location satisfactory to you, they at your or our written request the Franchise Agreement will be cancelled. We will retain \$5,000 and return the rest of the initial franchise fee you paid. Otherwise, you may not terminate without our consent. If you sublease from us, and your franchise term goes beyond sublease term, but we have the option to extend, then some later sublease rent/other terms to be set by our landlord, may not be known yet. When set by our landlord, you or we may want to end the franchise and we may mutually agree to terminate early.
E. Termination by franchisor without cause	None	We don't have the right to terminate without cause. However, if you diligently proposed locations to us but after one year we did not approve any location you proposed and we did not identify any proposed location satisfactory to you, then at your or our written request the Franchise Agreement will be cancelled. We'll retain \$5,000 and return the rest of the initial franchise fee you paid.
F. Termination by franchisor with cause	Sec. 14(a)	We can terminate if you commit a listed default and do not cure within 5 days after receipt of notification of the default.
G. "Cause" defined – curable defaults	Sec. 14	Unless state law gives you more time, we give you 5 days after notification. Listed defaults are: bankruptcy, insolvency, appointment of receiver, assignment for benefit of creditors, unsatisfied judgment, levy or foreclosure against you, default of any term of Franchise Agreement, default in paying us, failure to maintain our standards, failure to make routine repairs or alterations, failure to maintain insurance, repeated breach, violation of law or regulation, for example, health, safety or sanitation laws, you operate unsafely, you stop doing business at the premises, breach of lease, loss of right to be at the premises.
H. "Cause" defined – non-curable defaults	None	Franchise Agreement does not specify defaults that are not curable, but some, by nature, may not be curable, for example, repeated breach. The Franchise Agreement does not say the listed defaults are exclusive grounds for termination. In some states, court decisions may let us terminate for breaches a court considers incurable, such as fraud against us.
I. Franchisee's obligations on termination/non-renewal	Sec. 15	You must stop using our system, marks, trade secrets, colors, symbols and anything that identifies you as our franchisee or former franchisee; pay any damages you caused us to incur, also including future profits; sell us supplies & all insignia bearing our trade name or marks we choose. You must return all materials loaned to you. You must abide by all provisions not to compete.
J. Assignment of contract by franchisor	None	There is no restriction against us assigning the Franchise Agreement.
K. "Transfer" by franchisee – defined	Sec. 13	Includes transfer of control or ownership change.
L. Franchisor approval of transfer by franchisee	Sec. 13	You must get our written approval before you sell, assign, transfer or encumber the agreement or any right or interest in it, even by operation of law.

M. Conditions for franchisor approval of transfer	Sec. 13(d) and refers to Sec. 12	You must offer us right of first refusal. We must approve your proposed buyer. You must be in good standing, not be in default; pay transfer fee and sign a general release. Transfer must be on terms you offered us. We can impose other conditions. You, your officers and principals must not compete within 25 miles with us or any of our franchisees for a period of 2 years after termination.
N. Franchisor's right of first refusal to acquire franchisee's business	Sec. 13(c)	You must first offer to sell to us on the same terms you offer to other prospective buyers.
O. Franchisor's option to purchase franchisee's business	Sec. 15(b)	You grant us the option to purchase your supplies & all insignia with our trade name or marks at lower of cost or fair market value at time of termination.
P. Death or disability of franchisee	Sec. 13(d)	The person obtaining your franchise must satisfy our then current requirements.
Q. Non-competition covenants during the term of the franchise	Sec. 12	You, your officers or principals must not compete within 25 miles of any restaurant operated by a franchisee or us.
R. Non-competition covenants after the franchise is terminated or expires	Sec.12	You, your officers or principals must not compete within 25 miles with us or any of our franchisees for a period of 2 years after termination of agreement.
S. Modification of the agreement	None	Agreement may be modified only by mutual agreement between us. We can modify the Operations Manual as we decide. Modification of the Operations Manual is not a modification of the Franchise Agreement.
T. Integration/Merger Clause	None	Only terms of the Franchise Agreement are binding (subject to state law) Nothing in Franchise Agreement is intended to disclaim representations in this Disclosure Document.
U. Dispute resolution by arbitration or mediation	None	Not Applicable
V. Choice of Forum	Sec. 18(m)	Legal actions must be brought in Orange County, California, subject to state law
W. Choice of Law	Sec. 18(m)	California law applies, subject to state law.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
2. Neither the franchisor, any person or franchise broker in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.)
5. 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.

6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.
8. You must sign a general release of claims 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).

ITEM 18: Public Figures

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

ITEM 19: Financial Performance Representations

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Robert Mathews, 7700 Irvine Center Drive, Suite 550, Irvine, California 92618, (949) 892-2684, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: Outlets & Franchisee Information

Table No. 1
Systemwide Outlet Summary
For Years 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Full Franchise	2017	7	8	+1
	2018	8	7	-1
	2019	7	7	0
Limited Franchise (1)	2017	5	5	0
	2018	5	5	0
	2019	5	5	0
Total Outlets	2017	12	13	+1
	2018	13	12	-1
	2019	12	12	0

(1) The limited franchise is a lease, providing an opportunity to operate a Hamburger Stand® restaurant on a month-to-month basis with rent that adjusts to reduce the franchisee's range of positive or negative operating results. Limited franchises are described in a separate Disclosure Document.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Years 2017 to 2019 ⁽¹⁾

State	Year	Number of Transfers
Arizona	2017	0
	2018	0
	2019	0
California	2017	0
	2018	0
	2019	0
Texas	2017	0
	2018	0
	2019	0
Total		

	2017	0
	2018	0
	2019	0

(1) All the above transfers were full franchises. There were no transfers of limited franchises.

Table No. 3
Status of Franchise Outlets for Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Arizona	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	12
California	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Colorado	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
Texas	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
Wyoming	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Total	2017	12	1	0	0	0	0	13
	2018	13	0	0	0	0	1	12
	2019	12	0	0	0	0	0	12

Attached as Exhibit N is a list of names, addresses and phone numbers of Hamburger Stand® franchisees and also any Hamburger Stand® franchisees who were terminated, cancelled or not renewed in our last fiscal year.

It is possible that in some instances, current and former franchisees could sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but not all franchisees will be able to communicate with you. In the last three fiscal years, all franchise agreements include confidentiality clauses to not share the contents of the franchise agreement with third parties.

Table No. 4
Status of Company Owned Outlets for Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
All States	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Totals	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, 2019

State	Franchise Agreements Signed but Outlet Not Opened	Projected Franchised New Outlet in the Next Fiscal Year	Projected New Company-owned Outlets in the Current Fiscal Year
All States	0	0	0
Total	0	0	0

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

Attached as Exhibit O is a list of names and contact information for each franchisee advertising association associated with Hamburger Stand®.

ITEM 21: Financial Statements

Attached as Exhibit A are the audited financial statements of GGFC for the last three fiscal years ending December 31, 2019, December 31, 2018 and December 31, 2017.

ITEM 22: Contracts

We've attached the following agreements as Exhibits:

- B Franchise Agreement
- C Offer to Purchase
- D Sublease
- E Promissory Note
- F Guaranty
- G Advertising Association Agreement
- H Promotional Allowance Agreement
- I Consent to Transfer Agreement
- J Franchisor's Right to Cure Default (Lender)
- K Franchisor's Right to Cure Default & Consent to Assignment Agreement (Landlord)
- L Direct Debit Agreement
- S SBA Addendum

ITEM 23: Receipts

The last two pages, following the exhibits are receipts acknowledging receipt of the disclosure document by you (one copy for you and one to be signed and returned to us).

EXHIBIT A
FINANCIALS

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Financial Statements
December 31, 2019
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors,
Galardi Group Franchise Corp.,
(A Subsidiary of Galardi Group, Inc.):

We have audited the accompanying financial statements of Galardi Group Franchise Corp. (the Company), which comprise the balance sheet as of December 31, 2019, and the related statement of operations and retained earnings (deficit) and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

April 7, 2020

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Balance Sheet
December 31, 2019

ASSETS

Current assets:

Cash	\$ 114,496
Income taxes receivable	36,100
Total current assets	<u>150,596</u>

Non-current assets:

Receivable from affiliate - net	907,156
Deferred income taxes	378,000
Total non-current assets	<u>1,285,156</u>

Total assets	<u>\$ 1,435,752</u>
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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Contract liabilities	\$ 405,361
Total current liabilities	<u>405,361</u>

Long term liabilities:

Franchise deposits	423,399
Contract liabilities	1,450,692
Total liabilities	<u>2,279,452</u>

Stockholders' deficit:

Common stock, no par value, authorized	
1,000 shares; issued and outstanding 1,000 shares	150,000
Retained deficit	(993,700)
Total stockholders' deficit	<u>(843,700)</u>

Total liabilities and stockholders' deficit	<u>\$ 1,435,752</u>
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The Notes to Financial Statements are an integral part of this statement.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Operations and Retained Earnings (Deficit)
Year Ended December 31, 2019

		<u>Percentage of Revenues</u>
Revenues:		
Location fees	\$ 9,735	\$ 3.7 %
Initial franchise fees	77,029	28.6
Franchise extension fees	<u>182,193</u>	<u>67.7</u>
Total revenues	<u>268,957</u>	<u>100.0</u>
Costs and expenses	498,205	185.2
Other income	<u>15,884</u>	<u>5.9</u>
Loss before income taxes	(213,364)	(79.3)
Benefit for income taxes	<u>(128,000)</u>	<u>(47.6)</u>
Net loss	(85,364)	<u>(31.7) %</u>
Retained earnings (deficit):		
Beginning of year	594,733	
Change in accounting principle	<u>(1,503,069)</u>	
End of year	<u>\$ (993,700)</u>	

The Notes to Financial Statements are an integral part of this statement.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:

Net loss	\$ (85,364)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Deferred income tax benefit	(128,000)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivable from affiliate - net	112,742
Increase (decrease) in liabilities:	
Franchise deposits	(92,310)
Contract liabilities	193,586
Net cash provided by operating activities	<u>654</u>
Cash at beginning of year	<u>113,842</u>
Cash at end of year	\$ <u>114,496</u>

Supplemental disclosures of cash flow information:

As detailed in Note 1, the Company adopted the new requirements of Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of January 1, 2019. In order to recapture revenue that was previously recognized, retained earnings was decreased and deferred revenue was increased by \$1,503,069. The recapture revenue was related to all initial franchise license and extension fees recognized fully under legacy GAAP (Topic 605) that had remaining performance obligation by the Company to satisfy. At January 1, 2019, these franchise agreements were still active with remaining years under agreement and the revenue allocated to those remaining years were then recaptured as deferred revenue.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business - Galardi Group Franchise Corp. (the “Company”) was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly-owned subsidiary of Galardi Group, Inc. (the “Parent”). Effective June 30, 1990, the Parent distributed 25% of the Company’s shares to Galardi Group, Inc.’s stockholders. The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. On December 3, 2002 Galardi Group Franchise and Leasing, LLC (the “Affiliate”), also a subsidiary of the Parent, was formed for the purpose of conducting all fast food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

Revenue Recognition - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019.

The Company derives its revenues primarily from the sale of initial franchise licenses and extensions for its trade name, operating systems, and products. Prior to the Company adopting Topic 606, revenue related to initial franchise license and extension fees were recognized upon store opening and when the related renewal agreement became effective, respectively. Upon the adoption of Topic 606, the Company determined that the services provided in exchange for these initial franchise license and extension fees, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise license and extension fees are recognized as revenue over the term of the franchise agreements on a straight-line basis, consistent with the franchisee’s right to use and benefit from the tradename, operating systems and products. The commencement date of the recognition of the initial franchise license and extension fees begin upon the completion of training and installation of equipment, substantially when the retail store opens. Payment for the initial franchise licenses and extension fees consists of a fixed fee that is due at the time the franchise or extension agreement is entered into and is recorded as a franchise or extension deposit. Upon commencement of the store opening, the franchise or extension deposit is reclassified as a contract liability and recognized over time, generally over 20 years or as defined by the franchise agreement. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Topic 606.

The Company recognizes its location fee revenue from granting exclusive rights to the owner of franchise restaurants in a particular geographic area. The Company’s performance obligation is satisfied over the period of time. Revenues are recognized evenly over the life of the location rights generally over 20 years. Payment for the location rights consist of a fixed fee that is due at the time the agreement is entered into and is recorded as a contract liability until earned. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Topic 606.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk - The Company's exposure to losses on receivables is principally dependent on the Affiliate's financial condition.

Income Taxes - The Company follows the provisions of the Accounting Standard Codification to account for income taxes. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities, and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. There was no recognition of uncertain tax positions required at December 31, 2019.

The Company files income tax returns in the U.S. federal jurisdiction and California. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2019. Management believes that the Company's tax positions comply with applicable tax law and that the Company has adequately provided for these matters.

It is the Company's continuing policy to account for interest and penalties associated with income tax obligations as a component of income tax expense. The Company did not recognize any interest or penalties as part of the provision for income taxes in the Statement of Operations and Retained Earnings (Deficit) at December 31, 2019.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new standard replaces all previous accounting guidance on this topic and eliminates all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation.

The Company adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, a cumulative adjustment to retained earnings of \$1,503,069 was recorded as of January 1, 2019, to reflect the effect of the new guidance. The Company applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Company’s accounting policies for revenue recognition and contract liabilities.

The impact of adopting the new guidance was an decrease in 2019 revenues of approximately \$69,000. Deferred revenues in the form of contract liabilities also increased. Formerly, payments for initial franchise licenses and extensions were deferred as revenue until the franchise either began operations or the extension period commenced. Under the new guidance, the Company defers all initial franchise license and extension fees received and amortizes these revenues over the term of the franchise agreement, which is generally from five to twenty years.

The modified retrospective method of transition impacted deferred revenues (contract liabilities) and retained earnings as a changed in accounting principle, as reflected in the Statement of operations and retained earnings (deficit).

Subsequent Events - The Company evaluated subsequent events through April 7, 2020, the date these financial statements were available to be issued. Management is currently considering the impact of the COVID-19 virus on its customers’ business operations and the potential for a reduction in franchisee sales. While it is reasonably possible that the virus could have a negative effect on the Company’s financial condition, results of operations, and cash flows, the specific impact is not readily determinable as of the date of these financial statements. There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to the Financial Statements
December 31, 2019

NOTE 2 - CONTRACT BALANCES

The majority of the Company's contracts contain consideration terms for fees to be paid before the franchise is sold and operational. The fees are reflected as contract liabilities on the balance sheet until recognized and classified as current or non-current, depending on when the revenue will be recognized. Upon receipt of a prepayment from a customer, the Company recognizes a contract liability in the amount of the prepayment for its performance obligation to provide franchise rights in the future. Contract liabilities at December 31, 2019 was \$1,856,053.

NOTE 3 - RECEIVABLE FROM AFFILIATE AND OTHER RELATED PARTY TRANSACTIONS

Receivable from affiliate is comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the year ended December 31, 2019, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$397,675. During the year ended December 31, 2019, allocated expenses charged and other payments made by the Affiliate on behalf of the Company amounted to \$468,448 and \$670, respectively.

As of December 31, 2019, the net receivable from Affiliate amounted to \$907,156.

NOTE 4 - INCOME TAXES

Deferred income taxes result from temporary differences attributable mainly to franchise fees which are reported as income for tax reporting purposes prior to financial reporting purposes, as well as arising from the Company's net operating loss carryforwards.

The tax benefit for the year ended December 31, 2019 consists of the following:

Deferred	
Federal	\$ (88,000)
State	(40,000)
	<u>\$ (128,000)</u>

At December 31, 2019, the Company had Federal and state net operating loss carryforward credits of approximately \$300,000 and \$428,000, respectively. If not used, the carryforwards will begin to expire in 2037.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to the Financial Statements
December 31, 2019

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity since the Company and its Parent and Affiliate have cross guarantees on the respective affiliate's financial obligations.

The long term debt of the Affiliate in the total amount of \$9,589,000 as of December 31, 2019 has been guaranteed by the Company and the Parent.



GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Financial Statements
Year Ended December 31, 2018
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Galardi Group Franchise Corp.
(A Subsidiary of Galardi Group, Inc.)

We have audited the accompanying financial statements of Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.) (the Company), which comprise the balance sheet as of December 31, 2018, and the related statements of operations and retained earnings, and cash flows for the year 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 these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KSJG, LLP
March 26, 2019

KSJG, LLP
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Balance Sheet
December 31, 2018

ASSETS

Current assets:

Cash	\$ 113,842
Receivable from affiliate - net (Note 2)	1,019,898
Income taxes receivable (Note 3)	36,100
Total current assets	<u>1,169,840</u>

Other assets:

Deferred income taxes (Note 3)	<u>250,000</u>
Total other assets	<u>250,000</u>

Total assets	<u><u>\$ 1,419,840</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Deferred revenue	\$ <u>159,398</u>
Total current liabilities	159,398

Long-term liabilities:

Deferred revenue	<u>515,709</u>
Total liabilities	<u>675,107</u>

Related party transactions, commitments and
contingencies (Notes 2 and 4)

Stockholders' equity:

Common stock, no par value, authorized 1,000 shares; issued and outstanding 1,000 shares	150,000
Retained earnings	<u>594,733</u>
Total stockholders' equity	<u>744,733</u>

Total liabilities and stockholders' equity	<u><u>\$ 1,419,840</u></u>
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See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Operations and Retained Earnings
Year Ended December 31, 2018

		<u>Percentage of Revenues</u>
Revenues:		
License fees	\$ 21,093	\$ 6.2 %
Initial franchise fees	95,400	28.3
Franchise extension fees	<u>220,814</u>	<u>65.5</u>
Total revenues	<u>337,307</u>	<u>100.0</u>
Costs and expenses	<u>509,047</u>	<u>150.9</u>
(Loss) before income taxes	(171,740)	(50.9)
(Benefit) for income taxes (Note 3)	<u>(59,486)</u>	<u>(17.6)</u>
Net (loss)	(112,254)	<u><u>(33.3) %</u></u>
Retained earnings:		
Beginning of year	<u>706,987</u>	
End of year	<u><u>\$ 594,733</u></u>	

See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:

Net (loss)	\$ (112,254)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Deferred income taxes	(15,000)
	<u>(127,254)</u>
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivable from affiliate - net	139,290
Income taxes receivable	800
Increase (decrease) in liabilities:	
Deferred revenue	(12,293)
	<u>127,797</u>
Net cash provided by operating activities	543
Cash at beginning of year	<u>113,299</u>
Cash at end of year	\$ <u><u>113,842</u></u>

See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business - Galardi Group Franchise Corp. (the “Company”) was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly-owned subsidiary of Galardi Group, Inc. (the “Parent”). Effective June 30, 1990, the Parent distributed 25% of the Company’s shares to Galardi Group, Inc.’s stockholders. The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. On December 3, 2002 Galardi Group Franchise and Leasing, LLC (the “Affiliate”), also a subsidiary of the Parent, was formed for the purpose of conducting all fast food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

Recognition of Franchise Fees - Initial and extension franchise fees derived from the sale or the extension of a Wienerschnitzel and Hamburger Stand franchise are recognized when the franchisee commences or extends operation of the restaurant and collection of receivables due from the franchisee is reasonably assured. Deposits received from prospective franchisees are recorded as deferred revenue until such time the deposit is either refunded or applied to franchise fee revenue once the franchisee commences operations of the restaurant.

Deferred revenues are recorded as current or non-current depending on when the franchisee is expected to commence operations.

Concentrations of Credit Risk - The Company’s exposure to losses on receivables is principally dependent on the Affiliate’s financial condition.

Income Taxes - The Company follows the provisions of the Accounting Standard Codification to account for income taxes. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities, and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued) - The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. There was no recognition of uncertain tax positions required at December 31, 2018.

The Company files income tax returns in the U.S. federal jurisdiction and California. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2014. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2018. Management believes that the Company's tax positions comply with applicable tax law and that the Company has adequately provided for these matters.

It is the Company's continuing policy to account for interest and penalties associated with income tax obligations as a component of income tax expense. The Company did not recognize any interest or penalties as part of the provision for income taxes in the Statement of Operations and Retained Earnings at December 31, 2018.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*: Topic 606. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Management is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for the year ended December 31, 2019.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes*: Topic 740. ASU No. 2015-17 simplifies the presentation of deferred income taxes, and requires that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU No. 2015-17 was adopted by management in the current period and these financial statements have been updated to present deferred income taxes as noncurrent.

Subsequent Events - The Company evaluated subsequent events through March 26, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 2 - RECEIVABLE FROM AFFILIATE AND OTHER RELATED PARTY
TRANSACTIONS**

Receivable from affiliate is comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the year ended December 31, 2018, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$368,591. During the year ended December 31, 2018, allocated expenses charged and other payments made by the Affiliate on behalf of the Company amounted to \$488,706 and \$175, respectively.

As of December 31, 2018, the net receivable from Affiliate amounted to \$1,019,898.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2018

NOTE 3 - INCOME TAXES

Deferred income taxes result from temporary differences attributable mainly to franchise fees which are reported as income for tax reporting purposes prior to financial reporting purposes, as well as arising from the Company's net operating loss carryforwards.

The tax provision (benefit) for the year ended December 31, 2018 consists of the following:

Current	
Federal	\$ (45,286)
State	800
	<u>(44,486)</u>
Deferred	
Federal	1,000
State	<u>(16,000)</u>
	<u>(15,000)</u>
	<u>\$ (59,486)</u>

At December 31, 2018, the Company had Federal and state net operating loss carryforward credits of approximately \$185,000 and \$316,000, respectively. If not used, the carryforwards will begin to expire in 2037.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2018

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity (Note 2).

The Company and Parent have guaranteed fourteen term loans for the Affiliate in the amounts of \$156,901; \$175,356; \$116,194; \$107,030; \$375,129; \$293,826; \$533,891; \$1,208,333; \$145,607; \$975,841; \$1,315,683; \$924,967; \$1,825,774; \$2,210,333 (totaling \$10,364,865) as of December 31, 2018.



GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Financial Statements
Year Ended December 31, 2017
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Galardi Group Franchise Corp.
(A Subsidiary of Galardi Group, Inc.)

We have audited the accompanying financial statements of Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.) (the Company), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and retained earnings, and cash flows for the year 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 these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KSJG, LLP

March 22, 2018

KSJG, LLP

100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Balance Sheet
December 31, 2017

ASSETS

Current assets:

Cash	\$ 113,299
Receivable from affiliate - net (Note 2)	1,159,188
Income taxes receivable (Note 3)	36,900
Deferred income taxes (Note 3)	<u>235,000</u>

Total assets	\$ <u><u>1,544,387</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Deferred revenue	\$ <u>134,032</u>
Total current liabilities	134,032

Long-term liabilities:

Deferred revenue	<u>553,368</u>
Total liabilities	<u>687,400</u>

Related party transactions, commitments and
contingencies (Notes 2 and 4)

Stockholders' equity:

Common stock, no par value, authorized 1,000 shares; issued and outstanding 1,000 shares	150,000
Retained earnings	<u>706,987</u>
Total stockholders' equity	<u>856,987</u>

Total liabilities and stockholders' equity	\$ <u><u>1,544,387</u></u>
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See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Operations and Retained Earnings
Year Ended December 31, 2017

		<u>Percentage of Revenues</u>
Revenues:		
Initial franchise fees	\$ 80,800	\$ 21.2 %
Franchise extension fees	<u>300,520</u>	<u>78.8</u>
Total revenues	<u>381,320</u>	<u>100.0</u>
Costs and expenses	<u>503,972</u>	<u>132.2</u>
Loss before income taxes	(122,652)	(32.2)
Provision for income taxes (Note 3)	<u>53,500</u>	<u>14.0</u>
Net loss	(176,152)	<u>(46.2) %</u>
Retained earnings:		
Beginning of year	<u>883,139</u>	
End of year	<u>\$ 706,987</u>	

See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:

Net (loss)	\$ (176,152)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Deferred income taxes	52,000
	<u>(124,152)</u>
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivable from affiliate - net	131,765
Income taxes receivable	1,500
Increase (decrease) in liabilities:	
Deferred revenue	(9,000)
	<u>124,265</u>
Net cash provided by operating activities	113
Cash at beginning of year	<u>113,186</u>
Cash at end of year	<u><u>\$ 113,299</u></u>

See accompanying notes to financial statements

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business - Galardi Group Franchise Corp. (the "Company") was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly-owned subsidiary of Galardi Group, Inc. (the Parent). Effective June 30, 1990, the Parent distributed 25% of the Company's shares to Galardi Group, Inc.'s stockholders. The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. On December 3, 2002 Galardi Group Franchise and Leasing, LLC (the "Affiliate"), also a subsidiary of the Parent, was formed for the purpose of conducting all fast food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

Recognition of Franchise Fees - Initial and extension franchise fees derived from the sale or the extension of a Wienerschnitzel and Hamburger Stand franchise are recognized when the franchisee commences or extends operation of the restaurant and collection of receivables due from the franchisee is reasonably assured. Deposits received from prospective franchisees are recorded as deferred revenue until such time the deposit is either refunded or applied to franchise fee revenue once the franchisee commences operations of the restaurant.

Deferred revenues are recorded as current or non-current depending on when the franchisee is expected to commence operations.

Concentrations of Credit Risk - The Company's exposure to losses on receivables is principally dependent on the Affiliate's financial condition.

Income Taxes - The Company follows the provisions of the Accounting Standard Codification to account for income taxes. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities, and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued) - The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. There was no recognition of uncertain tax positions required at December 31, 2017.

The Company files income tax returns in the U.S. federal jurisdiction and California. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2013. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2017. Management believes that the Company's tax positions comply with applicable tax law and that the Company has adequately provided for these matters.

It is the Company's continuing policy to account for interest and penalties associated with income tax obligations as a component of income tax expense. The Company did not recognize any interest or penalties as part of the provision for income taxes in the Statement of Operations and Retained Earnings at December 31, 2017.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, *Income Taxes (Topic 740)*. ASU No. 2015-17 simplifies the presentation of deferred income taxes, and requires that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU No. 2015-17 is effective for fiscal years beginning after December 15, 2017. Early adoption of this ASU is permitted.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers: Topic 606*. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Management is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for our year ended December 31, 2019.

Subsequent Events - The Company evaluated subsequent events through March 22, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 2 - RECEIVABLE FROM AFFILIATE AND OTHER RELATED PARTY
TRANSACTIONS**

Receivable from affiliate is comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the year ended December 31, 2017, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$372,255. During the year ended December 31, 2017, allocated expenses charged and other payments made by the Affiliate on behalf of the Company amounted to \$479,849 and \$9,170, respectively.

As of December 31, 2017, the net receivable from Affiliate amounted to \$1,159,188.

GALARDI GROUP FRANCHISE CORP.
(A Subsidiary of Galardi Group, Inc.)

Notes to Financial Statements
(Continued)
December 31, 2017

NOTE 3 - INCOME TAXES

Deferred taxes result from temporary differences attributable mainly to franchise fees which are reported as income for tax reporting purposes prior to financial reporting purposes.

The tax provision for the year ended December 31, 2017 consists of the following:

Current		
Federal	\$	700
State		800
		<u>1,500</u>
Deferred		
Federal		62,000
State		<u>(10,000)</u>
		<u>52,000</u>
	\$	<u><u>53,500</u></u>

The Company's effective income tax rate is higher than what would be expected if the federal statutory rate were applied to income before income taxes primarily because of the decrease in deferred tax assets as a result of new tax laws which reduced the federal corporate income tax rate.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity (Note 2).

The Company and Parent have guaranteed thirteen term loans for the Affiliate in the amounts of \$190,523; \$206,301; \$97,297; \$290,486; \$120,990; \$600,207; \$327,729; \$734,099; \$1,708,333; \$160,670; \$1,241,979; \$1,597,615; \$1,011,683 (totaling \$8,287,912) as of December 31, 2017.

EXHIBIT B
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

This Franchise Agreement is made and entered into on _____, 20____, by and between GALARDI GROUP FRANCHISE CORP., a California corporation ("Franchisor"), GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Service LLC") and _____ ("Franchisee") with reference to the following facts:

RECITALS

Franchisor owns a unique, proprietary system (the "Hamburger Stand System") for developing and operating distinctive restaurants featuring a limited menu of quality products and quick, quality service ("Hamburger Stand Restaurants"), identified by the distinctive Hamburger Stand® trademarks and using other trademarks specified by Franchisor (the "Trademarks"). Service LLC provides services to franchisees of Hamburger Stand Restaurants. Franchisor and Service LLC established an excellent reputation, distinctive identity and valuable goodwill associated with Hamburger Stand Restaurants. Franchisee wants a franchise to operate a Hamburger Stand Restaurant at a specific location. Franchisor is willing to grant a franchise to Franchisee on the terms in this Agreement. Accordingly, the parties now agree as follows:

AGREEMENT

1. GRANT OF LICENSE

Franchisor grants Franchisee a license to use the Trademarks and the Hamburger Stand System only to operate a Hamburger Stand Restaurant at the location in Section 3. Franchisee accepts the license on the terms in this Agreement.

2. MANAGEMENT AND OWNERSHIP

Franchisee makes the following statements, each of which is a representation, warranty and promise by Franchisee, to Franchisor and Service LLC:

(a) Franchisee accurately described Franchisee's business organization to Franchisor and Service LLC.

(b) Franchisee has the ability and sufficient financial resources, and is willing and committed, to fully perform all Franchisee's obligations in this Agreement.

(c) If Franchisee is a corporation, limited liability company or other form of entity, the owners of all ownership interests, legal and beneficial, voting and non-voting, are as follows:

<u>Name</u>	<u>Percentage of Ownership</u>
_____	_____
_____	_____
_____	_____

_____.

(d) Ownership of Franchisee shall continue to be as stated above and shall not be changed without first obtaining Franchisor's written consent.

(e) At all times, Franchisee (if Franchisee is an individual) and the equity owner(s) of at least fifty-one percent (51%) of Franchisee (if Franchisee is an entity) or Franchisee's general manager, shall have attended and successfully completed training pursuant to Section 7(b).

(f) _____ is designated as the initial Certified General Manager who shall have full operational control of, and does and shall actively work in, the Hamburger Stand Restaurant unless and until a successor General Manager is approved by Service LLC. Our Brand Standard requires a Certified General Manager or Certified Shift Manager on-site during all operating hours.

(g) Franchisor and Service LLC shall have the right to require any one or more of the individuals identified in Section 2(c), and spouses, as Franchisor or Service LLC elects, to execute from time to time, guaranties of Franchisee's performance, and of other matters, in favor of Franchisor and Service LLC. Franchisee shall obtain and deliver such guaranties to Franchisor or Service LLC when requested by Franchisor or Service LLC.

3. LICENSED PREMISES

(a) The license to Franchisee to use the Hamburger Stand System and Trademarks is limited solely to _____ (the "Licensed Premises"). If the location is not stated here when this Agreement is signed, then when selected and approved in writing by Franchisor and/or Service LLC, the location shall be identified in writing, which the parties shall initial and date. The location identified in the writing shall be deemed to be the Licensed Premises.

(b) Franchisor and/or Service LLC will not grant a franchise for, and will not open its own Hamburger Stand Restaurant, closer than one-half (1/2) mile from the Licensed Premises or closer than one (1) mile on the exact same street as the Licensed Premises street address, except as stated in Section 3(c) below.

(c) As exceptions to Section 3(b), Franchisor and/or Service LLC may itself, or through a parent, subsidiary, affiliate, licensee, or joint venture, open or franchise Hamburger Stand Restaurants anywhere, even closer than one-half (1/2) mile to the Licensed Premises, or one (1) mile on the same street, if the restaurant(s) is/are: at an amusement park, stadium, airport, rail or bus terminal, school, mall, hotel, office building, office park, public park, theater, military base, business campus, store, hospital or health care facility, swap meet or other institutional location or location that restricts entry or admission, that Franchisor and/or Service LLC believes will likely not materially compete on an ongoing basis with the pre-existing business at the Licensed Premises; or a cart, booth, vehicle or the like, at a fair, trade show, concert, community gathering or other event; or is a food truck or other vehicle; or a commissary supplying other locations or selling via the internet or other electronic commerce. Sales of Hamburger Stand branded products in grocery stores, food retail stores, delivery, or by other means, channels or other forms of distribution, are deemed to not violate the exclusivity in Section 3(b). Section 3(b) does not grant marketing exclusivity. Franchisor and/or Service LLC, and any franchisees or others acting with Franchisor's or Service LLC's authorization, may advertise restaurants, products, services and the Hamburger Stand brand anywhere, regardless of location and may solicit or accept orders

even in the area described in Section 3(b). Franchisor and Service LLC and others may make sales via Internet and other distribution channels. Franchisor and/or Service LLC may establish and/or grant franchises for or other arrangements to establish Hamburger Stand and/or other restaurants anywhere outside the area in Section 3(b). Franchisor and Service LLC reserve the right to co-brand other concepts with the Hamburger Stand System.

(d) Prior to acquisition by lease or purchase of any location, Franchisee shall submit a description of the proposed location to Franchisor and/or Service LLC, and if required by Franchisor and/or Service LLC, a landlord's letter of intent or other evidence satisfactory to Franchisor and/or Service LLC that confirms Franchisee's favorable prospects for obtaining the proposed location. Franchisor and/or Service LLC shall try to notify Franchisee within thirty (30) days after receiving Franchisee's proposal and all needed information, whether Franchisor or Service LLC consent to or withholds consent to the proposed location. Any location must comply with Franchisor's and/or Service LLC's requirements stated in the Manual.

(e) Franchisor's and/or Service LLC's approval or suggestion or identification of a possible location is not a warranty or assurance of viability, profitability or suitability. Nothing in this Agreement, and no action by Franchisor or Service LLC, shall be interpreted as an indication or assurance of any level of revenues, sales or other measure of business or performance for the location nor shall any recommendation or consent by Franchisor be deemed a representation that a site is available for use as a Franchised Restaurant. Franchisee must make Franchisee's own assessment. Franchisee must not relocate the Licensed Premises or the Hamburger Stand restaurant without Franchisor's or Service LLC's prior written consent.

(f) Franchisee must by purchase or lease obtain and provide Franchisor and/or Service LLC with proof of real estate rights to develop a Hamburger Stand restaurant at Licensed Premises within twelve (12) months of entering into this Agreement. Franchisee must have construction-ready plans submitted to applicable government offices within eighteen (18) months of entering into this Agreement. Failure of Franchisee to meet the time requirements in this paragraph will allow Franchisor and/or Service LLC to terminate this Agreement by written notice to the Franchisee, and if so terminated, Franchisor and Service LLC shall have no obligation to return any of the initial franchise, except as set forth in Section 5 below. (j) Franchisee shall, as soon as is reasonably achievable, after receiving Franchisor's or Service LLC's consent to the proposed location, and obtaining possession of the location for the Hamburger Stand Restaurant: (i) cause to be prepared and submit for Franchisor's and/or Service LLC's consent a site survey and any proposed modifications to Franchisor's and Service LLC's basic architectural plans and specifications for the development of a Hamburger Stand Restaurant at the location, provided that Franchisor and Service LLC shall have the right to require that proposed modifications be limited to those necessary to comply with zoning, ordinances, building codes and permit requirements; (ii) obtain all required zoning changes, building, utility, health, sanitation, sign and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as provided herein; (iv) complete the construction and/or remodeling and installation of equipment, fixtures, furniture and signage and decorating of the Restaurant in full and strict compliance with plans and specifications consented to in writing by Franchisor and/or Service LLC and all applicable zoning, ordinances, building codes and permit requirements; (v) obtain all customary contractors' statements and partial and final waivers of liens for construction, remodeling, decorating and installation services; (vi) obtain all insurance required by this Agreement; and (vii) complete development of and have the Restaurant ready to open and start conducting its business according to all provisions of this Agreement.

(g) Franchisee shall operate the Hamburger Stand Restaurant only at the Licensed Premises. If, without fault of Franchisee, the lease for the Licensed Premises ends or the Licensed Premises are rendered unusable or destroyed or condemned, Franchisor or Service LLC shall be willing to consider whether to consent to relocation of the Licensed Premises to a location acceptable to Franchisor or Service LLC. Any relocation shall be at Franchisee's sole expense and Franchisor and/or Service LLC shall have the right to charge Franchisee a relocation fee in the amount of Five Thousand dollars (\$5,000), to approximately compensate Franchisor and/or Service LLC for costs incurred by Franchisor and/or Service LLC in relation to the relocation. Relocation shall be subject to obtaining Franchisor's or Service LLC's consent as to the location and lease, as provided in this Section 3.

(h) If Franchisor or Service LLC pays for or obtains any licenses or permits for or on behalf of Franchisee prior to the end of the first twelve (12) months that the Licensed Premises are open for business, then Franchisee shall reimburse all Franchisor's and Service LLC's expenses and costs incurred to obtain those licenses or permits. This Section 3(f) does not imply any obligation of Franchisor or Service LLC to seek, obtain or pay for any license or permit.

4. TERM AND RENEWAL

(a) The term of this Agreement starts on _____, 20____ and ends at the close of business on the ____ anniversary of that date.

(b) Franchisee shall have the right to renew this franchise for one (1) additional successive term of ten (10) years (or less term if Franchisee leases the Demised Premises from Franchisor Service LLC, or a related entity, and Franchisor and/or Service LLC have control of the Demised Premises for a period of less than ten (10) years) , provided, that all the following conditions for renewal have been fulfilled:

1. Franchisee has, during the entire term of this Agreement, complied with all its provisions.
2. At the time of giving notice of renewal to Franchisor or Service LLC, Franchisee is not in default under any terms of this Agreement nor has Franchisee, at any time during the term of this Agreement, been in material default under any provisions of this Agreement.
3. Franchisee maintains possession of the Licensed Premises and, before expiration of the term, has brought the Licensed Premises into full compliance with the specifications and standards then applicable for new or renewing Hamburger Stand franchised restaurants and proves to Franchisor's and/or Service LLC's satisfaction that Franchisee has the right to remain in possession of the Licensed Premises for the duration of any renewal term.
4. Franchisee has given written notice to Franchisor and Service, LLC of desire to renew as stated below.
5. Franchisee satisfied all monetary obligations owed by Franchisee to Franchisor and Service LLC and timely met these obligations throughout the term of this Agreement.
6. On renewal, Franchisee has executed Franchisor's then-current form of Franchise Agreement (with any modifications Franchisor specifies to reflect that the Franchise

Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede this Agreement, and the terms of which may materially differ from this Agreement including, without limitation, different fees, fees at different rates and other terms materially different from this Agreement.

7. Franchisee complied with Franchisor's and Service LLC's then-current qualifications and training requirements.
8. Franchisee executed a general release, in a form prescribed by Franchisor or Service LLC, of any and all claims against Franchisor, Service LLC, and any related entities, and their respective directors, officers, agents, shareholders and employees.
9. Any other reasonable conditions that Franchisor or Service LLC deem relevant in the circumstances.
10. Franchisee has paid to Franchisor a "Renewal Fee" of Sixteen Hundred dollars (\$1,6000) per year of renewal term granted.

(c) If Franchisee wants to renew this franchise, then Franchisee shall give Franchisor or Service LLC written notice of its desire to renew at least six (6) months, but not more than nine (9) months, prior to expiration of the then-current term of this Agreement, accompanied by the payment referenced in Section 4(b)(10). Within sixty (60) days after receipt of timely notice, Franchisor or Service LLC shall furnish Franchisee with written notice of (i) reasons in known at that time which could cause Franchisor not to grant a renewal to Franchisee including, but not limited to, deficiencies which require correction and a schedule for correction by Franchisee; and (ii) Franchisor's and Service LLC's then-current requirements relating to image, appearance, decor, furnishing, equipping and stocking of Hamburger Stand franchised restaurants and a schedule for effecting upgrades or modifications to bring the franchised restaurant into compliance, as conditions of renewal. Any renewal shall be conditioned on Franchisee's compliance with such requirements and continued compliance with all provisions of this Agreement.

(d) If applicable law requires Franchisor or Service LLC to give notice of expiration or non-renewal a specified time before expiration of this Agreement and Franchisor or Service LLC has not done so, then if Franchisee objects to the lack of notice, the term shall extend on a month-to-month basis until Franchisor or Service LLC has given the notice required and the required time passes before expiration or non-renewal becomes effective.

5. FRANCHISE FEE

(a) Franchisee shall pay to Franchisor an initial franchise fee of _____ dollars (\$_____). Between Franchisor and Franchisee, and regardless of Franchisor bookkeeping/accounting procedures, this amount is deemed to be fully earned by Franchisor when paid. It is not refundable, except in the circumstance set forth in the following paragraph. Franchisee waives any right to a refund if, and when, Franchisee receives Franchisor's and/or Service LLC's written approval of a submitted site, or Franchisee has not timely submitted at least three (3) Site Evaluation Forms as described in the next paragraph.

(b) If Franchisee diligently proposed, by completed Site Evaluation Forms, at least three (3) site locations to Franchisor and/or Service, LLC, but after twelve (12) months from entering into this

Agreement Franchisor and Service LLC did not approve any location proposed by Franchisee, and Franchisor and/or Service LLC did not identify any proposed location satisfactory to Franchisee, then at Franchisee's or Service LLC's written request this Agreement shall be cancelled. Franchisor and Service, LLC will retain five thousand dollars (\$5,000) and return the balance of the initial franchise fee paid by Franchisee. Franchisee's written request to cancel this Agreement must be made to Franchisor and Service, LLC before the end of the thirteenth (13th) month after entering into this Agreement, and Franchisor's and/or Service LLC's written request to cancel this Agreement may be made at any time after twelve (12) months from entering into this Agreement. At the end of the 13th month, the full franchise fees are not refundable without a written request.

6. SERVICE FEE

(a) Franchisee shall pay Service LLC on or before the seventh (7th) day of each month a service fee. The service fee shall equal five percent (5%) of Net Sales for the prior month.

(b) For this Agreement, Net Sales means total sales of all food and other items, and any services at, originating from or connected to the Licensed Premises, whether received in cash, electronic or other form of currency, services in kind, barter and/or exchange, on credit (whether or not payment is received therefore) or otherwise, but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority, uncollected cash register over rings, amounts received from sales which Franchisee promptly refunds at a customer's request; and tips paid by a customer to an employee of Franchisee in cash or by credit card, separately shown on the credit card invoice and actually paid to the employee. Barter and/or exchange and other forms of currency paid to or received by Franchisee shall, in determining Net Sales, be valued at the full, retail value of the currency and/or goods and/or services furnished by or provided to Franchisee, whichever is higher in each instance.

(c) Franchisee shall record in writing all Sales and details sufficient to ascertain Net Sales. On or before the seventh (7th) day of each month Franchisee shall provide Service LLC a written statement of prior month Net Sales. Franchisee shall certify that the statement is true and accurate. Franchisee shall provide all additional financial and other information that Service LLC requests from time to time in the forms, at times and in the manner Service LLC requests. Franchisee consents to Service LLC having access to all sales and other data in real time, or on demand, generated from any third-party system used in Franchisee's Hamburger Stand business operations.

(d) Franchisee shall maintain all records, statements, and forms pertaining to Net Sales in good order for a period of three (3) years. Franchisee shall make these available to Service LLC's representatives for inspection, audit and copying at reasonable times specified by Service LLC.

(e) If Service LLC determines by inspection, audit or otherwise that any one or more statement(s) of Net Sales reported to Service LLC is or are understated or underpaid, then Franchisee shall immediately pay Service LLC the amount of the understatement or underpayment plus interest as provided in Section 18(g). If the understatement or underpayment is more than two percent (2%) of the total for any month, then Franchisee shall also pay the costs of the inspection or audit. The remedies in this Section 6(e) do not excuse a breach and are additional to and not in lieu of other available remedies.

7. SERVICES BY FRANCHISOR

(a) Franchisor shall either make available a Hamburger Stand Restaurant for occupancy by Franchisee under a sublease, or provide Franchisee designs, drawings and specifications for construction of a then-existing prototype Hamburger Stand Restaurant building at the Licensed Premises, at Franchisor's choice. However, if Franchisee chooses to convert an existing building or build an in-line restaurant, Franchisee shall be responsible for the cost and expense of designs, drawings and specifications of such restaurant.

(b) Franchisor or Service LLC shall provide to one representative of Franchisee either an equity owner or a general manager, initial training in aspects of a Hamburger Stand Restaurant, also including preparation and sale of Tastee Freez menu items to be sold at the Hamburger Stand Restaurant. The representative of Franchisee, either an equity owner or a general manager, shall attend and successfully complete the initial training before Franchisee starts operating the Hamburger Stand Restaurant. Franchisor or Service LLC may require the successful completion of initial training by that representative at least thirty (30) days before opening of the Hamburger Stand restaurant, but not more than six (6) months before the opening. Training may be at Franchisor's and Service LLC's training location in Irvine, California or other location designated by Franchisor or Service LLC. Initial training will be provided on dates and at times agreeable to Franchisor or Service LLC and Franchisee subject to availability of Franchisor's or Service LLC's instructors, at a charge to Franchisee of \$4,000. Franchisor and Service LLC reserve the right to deliver portions of the initial training by means such as online instruction or review of videos.

All "Certified General Managers", "Certified Managers", and "Franchisees" will need to complete a re-certification exam every five years, starting at their last certification date.

(c) If this Agreement is for a second or more than second restaurant of Franchisee or Franchisee's affiliate, and/or if Franchisee or Franchisee's affiliate previously completed initial training in relation to a Hamburger Stand restaurant, then whether or not to provide and require Franchisee to complete any, all of or portions of the initial training described in Section 7(b) shall be at Franchisor's or Service LLC's election. Franchisor or Service LLC may elect to provide a course of refresher training. This could include review of subjects of training and/or new methods or programs not previously covered, or for which Franchisor or Service LLC deems it appropriate to have Franchisee review.

(d) At any time during training, if, in Franchisor's or Service LLC's sole judgment or discretion, Franchisor or Service LLC determines that Franchisee or person affiliated with Franchisee is unable, or comes to doubt Franchisee's or the person affiliated with Franchisee's ability to satisfactorily complete any part of training, Franchisor and Service LLC shall have the right to: (i) require Franchisee to attend additional training to demonstrate its ability to operate the Hamburger Stand Restaurant to Franchisor's and/or Service LLC's satisfaction, at Franchisee's expense; (ii) require Franchisee or a new approved designee to complete the training program subject to Franchisor's and Service LLC's then-current training requirements; or (iii) terminate this Agreement immediately on written notice to Franchisee. If Franchisor or Service LLC elects to terminate this Agreement pursuant to this Section, Franchisor and/or Service LLC will have no obligation to return any of the initial franchise fee paid.

(e) Franchisor and/or Service LLC from time to time may require Franchisee and personnel of Franchisee, whether or not previously-trained and experienced, to attend and successfully complete new or refresher training programs or seminars. These may be at location(s) designated by Franchisor or Service LLC. These may be conducted specifically for such person(s) or for a broader range of

persons. All expenses of Franchisee and its personnel in attending such program including, without limitation, travel, lodging, meals and salaries, shall be the responsibility solely of Franchisee.

(f) Franchisor and/or Service LLC shall loan or provide Franchisee a copy of or electronic or other form of access to a copy of Franchisor's and Service LLC's confidential operations manual (the "Manual"). Franchisor or Service LLC may from time to time provide supplements and updates or, if the Manual is maintained on-line, supplement or update the on-line version. Franchisee shall place all supplements and updates in the Manual and maintain the loaned copy in its most current form. This Agreement's references to the Manual mean whatever at the time is the most recently updated and supplemented version of the Manual.

(g) The Manual is and shall at all times remain the property solely of Franchisor and Service LLC and any copy of all or portions of the Manual in Franchisee's possession shall promptly be returned to Franchisor or Service LLC on the expiration or other termination of this Agreement. At no time shall Franchisee or its personnel make any copy or reproductions of all or part of the Manual.

(h) The Manual comprises proprietary information of Franchisor and Service LLC and shall be kept confidential by Franchisee both during the term of this Agreement and after its expiration and/or termination. Franchisee shall at all times ensure that its copy of the Manual, and all portions of the Manual, are maintained only at and are available only at the Licensed Premises in current and up-to-date manner. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the Licensed Premises and grant only authorized personnel access to the key or lock combination of the receptacle. In any dispute as to contents of the Manual, the terms of any master copy of the Manual maintained by Franchisor and Service LLC shall be controlling.

(i) Any provisions of the Manual that may address human resource issues such as employee staffing, scheduling, hiring, discipline and other policies related to Franchisee's employees are suggestions only. Franchisee must make all determination in its sole discretion with respect to its personnel with the guidance of its own independent advisors. The Manual is of substantial value to Franchisor and Service LLC, and other franchisees of Franchisor and Service LLC, as well as to Franchisee. It describes the Hamburger Stand System that establishes and maintains a common identity. Franchisee agrees and acknowledges that full compliance with the mandatory portions of the Manual are essential to preserve, maintain and enhance the reputation, trade demand, and goodwill of the Hamburger Stand System and the Trademarks and that failure of Franchisee to operate the Hamburger Stand Restaurant in accordance with the Manual can cause damage to the Franchisor, Service LLC, and other franchisees with the Hamburger Stand System, as well as to Franchisee. Notwithstanding the foregoing, and consistent with the goals of the Hamburger Stand System, Franchisee shall be responsible for the day-to-day operation of the Hamburger Stand Restaurant.

8. SERVICES BY SERVICE LLC

(a) Service LLC shall assist Franchisee at the initial opening of the Hamburger Stand Restaurant in the manner and for a period of time that Service LLC determines.

(b) Service LLC shall provide promotion programs conducted under direction of Service LLC's marketing department for the initial opening of the Hamburger Stand Restaurant.

(c) Service LLC shall provide training seminars and meetings in certain aspects of Hamburger Stand Restaurants and maintain a school for training franchisees, all as Service LLC considers appropriate. Following successful completion of the initial training by a representative of Franchisee, as stated above, the same or another representative of Franchisee may (but is not required to, unless Service LLC designates a particular program as being required) attend ongoing education programs as currently offer by Service LLC, up to twice a year through its Management Development Program (MDP) at a cost of \$75.00 per program, which is payable when the program is offered if Franchisee representative elects to attend a program.

(d) Service LLC shall evaluate and test food and beverage items and operational methods for possible use in Hamburger Stand Restaurants, as Service LLC deems appropriate.

(e) Service LLC shall provide Franchisee with selected merchandising, marketing and advertising research data and information Service LLC develops from time to time and considers helpful in the operation of franchised Hamburger Stand Restaurants.

(f) Service LLC shall provide Franchisee with recipe techniques, food preparation instructions and other information that Service LLC considers helpful in the operation of franchised Hamburger Stand Restaurants.

(g) Service LLC shall provide Franchisee a standardized accounting, cost control and portion control system.

(h) Service LLC's obligations in this Section 8 are not continuous and ongoing, but may be performed intermittently, as and when, Service LLC deems appropriate.

9. ADVERTISING OBLIGATIONS

(a) All advertising and promotion by Franchisee or an Advertising Association shall be solely at Franchisee's cost and expense and shall be subject to prior written consent of Service LLC as to form, content, timing and placement. If no disapproval is provided within fifteen (15) days after submission of proposed advertising and promotion to Service LLC, then Franchisee may use that particular advertising and promotion until Service LLC delivers written disapproval. Approval or failure to disapprove does not waive Service LLC's right to later disapprove that or any other or past or future advertising and promotion.

(b) Franchisee's advertising and promotion shall not use any trade name other than (1) Hamburger Stand or other trade names that Franchisor expressly authorizes or requires Franchisee to use; (2) brands that Franchisor specifically authorizes or requires Franchisee to use in advertising as part of joint product promotions or co-branding; and (3) Franchisee's independent ownership identity if and as specified by Franchisor.

(c) Franchisee shall execute Franchisor's or Service LLC's Promotional Allowance Assignment assigning and conveying to Service LLC and Franchisor all Franchisee's right, title and interest in and to any marketing or promotional allowances.

(d) Franchisee shall join, execute and fully perform all agreements and adhere to all by-laws of, and do all else needed to continuously be a member in good standing in, an Advertising Association

approved by Service LLC and formed to serve a geographic area acceptable to Franchisor and/ Service LLC, that includes the Licensed Premises.

(e) Franchisor or Service LLC shall have the right to designate the geographic area or other market definition of the Advertising Association. At any time when no Service LLC-approved Advertising Association exists in the Franchisor or Service LLC-designated area encompassing the Licensed Premises, then as soon as that area has multiple Hamburger Stand franchisees, Franchisee shall form an Advertising Association with the other franchisee(s) in that area and take all steps needed to obtain Service LLC's approval for that Advertising Association. If they cannot reach agreement on terms for forming the Association, Franchisee shall submit the matter to arbitration with Service LLC as arbitrator. Franchisee shall execute the Advertising Association agreement(s) determined by Service LLC acting as arbitrator.

(f) Franchisee shall pay contributions for advertising determined by the Advertising Association.

(g) Franchisee's obligation to expend funds for local advertising shall never be less than three percent (3%) of Net Sales (the "Minimum Local Advertising Obligation"), paid as follows:

(i) If Franchisee is a member of an Advertising Association, then Franchisee shall pay the contribution required by the Advertising Association. If the contribution required by the Advertising Association is less than the Minimum Local Advertising Obligation, then in addition to the contribution required by the Advertising Association, Franchisee shall expend for local advertising, each month, an additional amount equal to the difference between Minimum Local Advertising Obligation and the contribution required by the Advertising Association. If Franchisee's contribution required by the Advertising Association is more than the Minimum Local Advertising Obligation, then Franchisee shall pay the required contribution to the Advertising Association; or

(ii) If Franchisee is not a member of an Advertising Association, Franchisee shall spend at least the Minimum Local Advertising Obligation for advertising each month. If Franchisee's Advertising Association required contribution, and/or local advertising expenditures are (or it appears to Service LLC that they will be) less than the Minimum Local Advertising Obligation, then Service LLC has the option to require Franchisee to pay to Service LLC the difference between Minimum Local Advertising Obligation and the total of the Franchisee's paid local expenditures, or anticipated to be paid, for that year.

(h) Service LLC may require Franchisee to pay an additional one percent (1%) of Net Sales to Service LLC for national and/or regional advertising. Franchisee shall make these payments to Service LLC on or before the seventh (7th) day of each month. Payments to Service LLC under this Section shall not reduce Franchisee's contribution required by Section 9(g) above. Service LLC does not have an obligation to advertise in any particular media, in any particular geographic area, in any particular amounts, or at all.

(i) In this Section 9, advertising may include internet advertising (including, but not limited to social media and other internet based tools and platforms), electronic, broadcast and print media, billboards, premiums, point of sale materials, printing and distribution of coupons, public relations activities, and other activities Service LLC approves for promoting sales of Hamburger Stand products; and does not include those of the foregoing, or other, media and activities, that Service, LLC notifies Franchisee are not approved for purposes of the four percent (4%) of Net Sales expenditure requirement.

(j) Franchisor or Service LLC may, but is not obligated to, establish and maintain one or more websites promoting the Trademarks and System. Franchisor or Service LLC shall have sole control over the website(s). Franchisor or Service LLC may stop operation of any website(s) at any time without notice. Franchisor shall have the right to control the operation and content of any internet or social media utilizing the Hamburger Stand brand. Unless Franchisee obtains prior written consent from Franchisor or Service LLC, as applicable, which may be withheld in Franchisor's or Service LLC's sole discretion, Franchisee shall not establish or maintain a separate website, or a splash page or other presence on the Internet or through any social networking site relating to the operation of the Restaurant. If Franchisor or Service LLC consents to Franchisee operating a separate website or Internet presence, Franchisee shall do so according to our Franchisor or Service LLCs standards and policies in the Manual or otherwise in writing from time to time. Franchisor or Service LLC can modify or supplement policies regarding social media and internet use at any time in writing, whether as part of the Manual or otherwise.

(k) Franchisee shall in no event communicate with media in response to a brand crisis, but shall direct all such inquiries to Franchisor to communicate directly with the media on behalf of the brand.

10. STANDARDS OF OPERATION

(a) Franchisee acknowledges that Franchisor, Service LLC and Hamburger Stand franchisees maintain high standards and reputation for quality of service, products, preparation and sale of food and methods of conducting business. The appearance, layout, supplies utilized, services offered, restaurant premises, and other elements of trade dress in the operation of the Hamburger Stand Restaurant are important to Franchisor and Service LLC and the Hamburger Stand System and intrinsically associated with and integral to the Hamburger Stand brand. Franchisee acknowledges that Franchisee's compliance with Sections 10(b) through 10(bb) is necessary to maintain the high standards and reputation.

(b) Franchisee shall at all times continuously operate the Restaurant, following the Hamburger Stand System and always exert Franchisee's best efforts to promote and increase the sales and services of the Restaurant.

(c) Franchisee shall operate the Hamburger Stand Restaurant at all times in compliance with the mandatory portions of this Agreement and the Manual, as revised from time to time. Franchisee shall not be required to follow the non-mandatory portions of this Agreement and the Manual, including without limitation, provisions that may concern Franchisee's employees and hiring, promotion, demotion, discipline, termination, scheduling, rate of pay, benefits, work assignments, response to grievances and complaints or working conditions Service LLC.

(d) Franchisee shall assure that all food provided by Franchisee is the highest quality and that preparation, composition and ingredients conform fully to specifications, standards and instructions Service LLC provides to Franchisee from time to time. Service LLC, or its designated representative, agent, or vendor, shall have the right to inspect the Licensed Premises from time to time without notice, during regular business hours to assess Franchisee's compliance with this Agreement. Franchisee shall cooperate with these inspections.

(e) Franchisee shall not conduct any business at the Licensed Premises other than the Hamburger Stand restaurant, and shall not serve, process, prepare, advertise, promote or sell any item

or service except as directed or consented to in writing by Service LLC. Franchisee shall sell and operate only at retail and not wholesale. Franchisee shall not sell to a third-party for resale or catering. Franchisee shall not sell from any location other than the Licensed Premises, without written consent from Service LLC.

(f) Franchisee acknowledges that changes may occur in consumer preferences, technology, competitive circumstances and other factors affecting the Hamburger Stand System. In Service LLC's sole business judgment, Service LLC shall have the right to modify any and all aspects of the Manual, food preparation, menus, techniques, procedures, products, services and all other aspects of the Hamburger Stand System from time to time. Franchisee shall comply with modifications within the time Service LLC states. Modifications are deemed to occur pursuant to Service LLC's rights in this Agreement and are not modifications of this Agreement.

(g) Franchisee shall at all times maintain and operate all food preparation areas, storage, displays, interiors, parking areas and all other aspects of the Licensed Premises at a high standard of sanitation and cleanliness, in compliance with all applicable laws and regulations, and as required by Service LLC's requirements. In order to protect the Hamburger Stand Restaurant brand standards, Franchisee shall assure that Franchisee's personnel comply with Service LLC's, and the Manual's, trade dress requirements and standards. Upon request by Franchisor or Service, LLC, Franchisee shall, at Franchisee's sole cost and expense provide re-training to Franchisee's personnel if they fail to meet these requirements. When Franchisor or Service LLC requests, Franchisee shall, at Franchisee's sole cost and expense, send personnel designated by Franchisor or Service LLC to training programs of Franchisor or Service LLC.

(h) Franchisor and Franchisee, and Service LLC and Franchisee, are independent contractors. As such, it is acknowledged that Franchisee is the sole and independent owner of its business, shall be in full control thereof, and shall conduct such business solely in accordance with Franchisee's own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify Franchisee as the independent owner of the business. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor or Service LLC be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it. If despite the parties' intent and belief that they are independent contractors, any government agency deems in a final decision (not appealed or not successfully appealed) (a) Franchisor to be a joint employer with Franchisee of individuals hired by Franchisee, and/or (b) Service LLC to be a joint employer with Franchisee of individuals hired by Franchisee, Franchisee shall reimburse Franchisor and/or Service LLC (as applicable) for an expenses incurred by Franchisor or Service LLC that Franchisee would have incurred if Franchisee were the sole employer of its employees. Those expenses could include, among others, wages, salaries, taxes, and unemployment insurance premiums.

(i) Franchisee shall operate in full compliance with all applicable laws, ordinances and regulations, including, without limitation, laws, ordinances and regulations relating to the sale of food and beverages, occupational hazards and health, worker's compensation insurance, unemployment insurance, labor laws and overtime requirements and withholding and payment of federal and state income taxes and social security taxes, trade name and advertising restrictions, building codes and

handicap access. Franchisee shall operate the Hamburger Stand Restaurant in a safe and secure manner that optimizes public health and safety. Franchisee is solely responsible for determining and addressing all safety concerns relation to the condition of the Demised Premises, the operation of any vehicles in connection with the Hamburger Stand Restaurant and otherwise.

(j) All food and menus on the Licensed Premises shall be in the form, size, color and content specified by Service LLC. Service LLC shall have the right to change the form, size, color and content of food and menus from time to time and Franchisee shall conform to these changes within three (3) days after receiving written notice. Service LLC shall have the right to require Franchisee to advertise locations and addresses of other Hamburger Stand Restaurants as well as specialty and novelty items that may be used or sold by Service LLC or other Hamburger Stand Restaurants.

(k) If any building or appurtenance is to be constructed or altered in any way on the Licensed Premises, the construction or alterations shall conform with plans and specifications that Service LLC furnishes, and all applicable laws and regulations. Service LLC shall have the right to examine construction or alteration to assure conformity. Franchisee shall not undertake construction or alteration of the Licensed Premises without Service LLC's prior written consent and shall not change any plan or specification in construction or alteration without Service LLC's prior written consent.

(l) Franchisee shall install and use on the Licensed Premises, furnishings, furniture, inside and outside decorations, signs and equipment as Service LLC requires from time to time of all Hamburger Stand franchisees, including plans and standards of quality, quantity, design, size, and color. Service LLC shall have the right to change such plans, specifications, standards, equipment, decorations, size, colors, and designs from time to time. Franchisee shall conform to these changes within a reasonable time, but not to exceed one hundred eighty (180) days after receiving notice from Service LLC to do so. Further, if Service LLC, in its sole, subjective judgment, determines that new or additional equipment may provide new or improved services or value to customers and notifies Franchisee, Franchisee shall, at Franchisee's sole cost and expense, acquire and use that equipment within thirty (30) days after receipt of the written notice, and stop using any outmoded or superseded equipment. If Franchisee fails to acquire and use the equipment within those thirty (30) days, then Service LLC will have the right to acquire and install the equipment at Franchisee's cost and expense.

(m) Service LLC shall have the right to require Franchisee to remodel, refurbish, refurnish, modernize, upgrade and/or enhance the image of the Licensed Premises from time to time. Notwithstanding this right, Franchisee shall remodel the Licensed Premises at least every ten (10) years. Further, the following applies if the term of this Agreement is at least twenty (20) or more years. Any time after the 10th anniversary of this Agreement, Service LLC can require Franchisee to remodel, refurbish, redecorate, modernize, refurnish, upgrade, and/or enhance the image of the Licensed Premises and Hamburger Stand Restaurant. All remodeling, refurbishing, refurnishing, modernization, upgrades, enhancements, and redecoration must be according to standards and specifications prescribed by Service LLC from time to time and with the prior written consent of Service LLC. Service LLC makes no guarantee of any particular return on that investment and expense. Service LLC may specify, or require Franchisee to obtain Service LLC's consent to revised or new layouts, designs, image, equipment, furniture and furnishings Franchisee uses in any of the foregoing activities. Service LLC shall use good faith, on a nondiscriminatory basis, in requiring Franchisee to take the above actions.

(n) Franchisee acknowledges that remodel, modernization, redecoration and maintenance of the Licensed Premises and minor and/or major modification or replacement of working equipment may be required from time to time and may require significant expenditures.

(o) Franchisee shall assure that no signs at the Licensed Premises display any trademark or trade name other than Hamburger Stand, or other trade names owned by or consented to by Franchisor and/or Service LLC, and Franchisee shall assure that the location, color, size, design and content of all signs are according to specifications Service LLC provides. By way of example, Franchisee shall post a prominent sign, in a location and wording consented to by Service LLC, stating that Franchisee is an independently owned and operated business. Franchisee consents to Service LLC's representatives entering the Licensed Premises and removing any signs that do not conform to Service LLC's specifications.

(p) Franchisee shall not employ or use or allow any vending machine, amusement device, video game, pinball machine, coin or token operated machine or computer game equipment on the Licensed Premises.

(q) Franchisee shall open the Licensed Premises for business during at least the hours and days Service LLC specifies, which may be as many as 24 hours per day, and as many as 365 days per year (366 per leap year). Franchisee acknowledges and agrees that the hours of operation are integral to the value of the Hamburger Stand System and the Trademarks, and any failure by Franchisee to operate during the designated hours of operation is detrimental to the Hamburger Stand System and the Trademarks. Franchisee further acknowledges and agrees that the day-to-day operational decisions relating to the opening and closing procedures of the Hamburger Stand Restaurant, including security, staffing, and other similar matters, shall be made solely by Franchisee.

(r) Franchisee shall participate in any computer network, intranet system or extranet system implement by Service LLC and do so in compliance with standards, protocols, and restrictions Service LLC specifies. This could include but is not limited to, required participation to submit reports, receive updates to Manual(s), or for other communications.

(s) Franchisee shall deliver any training to Franchisee's personnel that Franchisor specifies.

(t) Franchisee acknowledges that because uniformity under many varying conditions may not always be possible or practical or the most advantageous, Franchisor reserves the right to materially vary Franchisor's standards or franchise agreement terms for any franchised business. Variances could also be based on timing of the grant of franchise, peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which Franchisor considers relevant or important. Franchisee will have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Franchisee.

(u) Regardless of contents of the Manual, Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Hamburger Stand Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor or Service LLC do so or be deemed to do so. Franchisee acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Hamburger Stand System with which Franchisee must comply under this Agreement, the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Service LLC controls any

aspect or element of the day-to-day operations of the Hamburger Stand Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Hamburger Stand Restaurant consistent with the policies of Service LLC.

(v) Service LLC may, when not prohibited by law, establish and revise fixed, minimum or maximum, standard and/or promotion prices to be charged for food and other products and services offered by the Hamburger Stand Restaurant and other policies relating to pricing, discounting, promotional pricing, advertising of prices and other price-related matters. This may include but is not limited to restricting or prohibiting discounting, limitations or prohibitions of certain kinds of advertising and other pricing-related restrictions. Franchisee shall be obligated to abide by pricing and related specifications established by or Service LLC when not prohibited by law. Until such time as Service LLC establishes pricing specifications, Franchisee shall have the right to determine prices to be charged by the Hamburger Stand Restaurant. Franchisee shall notify Service LLC in writing on determining such prices and shall notify Service LLC in writing at least seven (7) days prior to making any changes to such prices.

(w) Franchisee shall enroll and participate in any gift card and/or loyalty and/or other marketing program(s) designated and/or revised by Service LLC from time to time, set up and maintain all necessary accounts in connection therewith, and use point-of-sale and other equipment specified by Service LLC, all in accordance with the Manual. Service LLC has no obligation to establish, participate in or maintain any such program.

(x) Franchisee shall participate in all promotion and marketing programs established by Service LLC and shall update menus and promotion materials as mandated by Service LLC from time to time. Franchisee shall cooperate and when required by Service LLC, participate in additional programs which may be established and designated by Service LLC from time to time, including coupons, smartphone, tablet and other mobile device applications, rewards and other programs seeking to benefit the Hamburger Stand System, and comply with Service LLC's rules and regulations established by Service LLC from time to time. Franchisee shall redeem and accept all rewards and coupons issued by any programs designated by Service LLC, including rewards or coupons issued by mobile, tablet and other mobile device applications.

(y) Franchisee shall provide reports and information requested from time to time by Service LLC. Franchisee shall cause its principal owner(s) and officer(s) attend meetings with representatives of Service LLC at times and places requested by Service LLC from time to time. Franchisee shall respond in writing to requests, inquiries and communications within times reasonably requested by Service LLC.

(z) Franchisee shall refrain at all times from any and all forms of disparagement of Franchisor and/or Service LLC, Franchisor's and Service LLC's personnel and affiliates, and from encouraging or supporting disparagement by others, including but not limited to communications to the public, to franchisees, and others, whether in social media, news media, or elsewhere.

11. FOOD, SUPPLIES AND SERVICES

(a) To protect the Trademarks, maintain uniformity and standards of quality and for other reasons beneficial to Franchisor, Service LLC and the Hamburger Stand System, Franchisee shall comply with Sections 11(b) through 11(i).

(b) Franchisee shall purchase for inventory, use and resale on the Licensed Premises, only food and supplies specified in the Manual.

(c) Franchisee shall acquire from Service LLC or sources Service LLC approves in writing from time to time, the foods, supplies, materials, equipment and other items for use in operating the Hamburger Stand Restaurant, that Franchisor and Service LLC determine are needed for uniformity, consistent quality and to preserve and enhance the goodwill of the Trademarks. Franchisor or Service LLC shall have the authority to require Franchisee to withdraw any product from Franchisee's restaurant as part of a product recall.

(d) Franchisee shall offer for sale and sell at the Hamburger Stand Restaurant all items and categories of food and beverage products that Service LLC from time to time authorizes and introduces and shall not offer for sale or sell any other items or category of products or use the Licensed Premises for any purpose other than the operation of the Hamburger Stand Restaurant in full compliance with this Agreement

(e) Service LLC shall furnish Franchisee at Franchisee's request the then-current standards and specifications for equipment, supplies, trademarked paper goods or other products required by Service LLC to be used in operating the Hamburger Stand Restaurant.

(f) Service LLC developed food products and will continue to further develop and own proprietary recipes. To protect its confidential information and trade secrets and monitor the manufacture, packaging, processing and sale of food products, at such time as food products are introduced into the Hamburger Stand System, if ever, Service LLC may (i) manufacture, supply and sell food products to franchisees of Service LLC; and/or (ii) disclose formulas for and methods and preparation of food products to suppliers who shall be authorized by Service LLC to manufacture food products to Service LLC's specifications and sell food products to franchisees of Service LLC. Franchisee acknowledges that Franchisee shall be required to purchase and use food products from Service LLC or a limited number of suppliers authorized by Service LLC. For some or potentially all products Service LLC may designate itself as an approved supplier or as the sole approved supplier.

(g) If Franchisee wants to obtain required items from a manufacturer or supplier not then approved by Service LLC, Franchisee shall provide Service LLC with all information regarding the manufacturer or supplier that Service LLC requests. Franchisor or Service LLC shall have the right to require the manufacturer or supplier to provide samples, access to facilities, payment of testing and analysis charges, and assurance of consistent good quality and service and that they will adequately protect confidential information. On completion of procedures required by Service LLC to assess manufacturer or supplier capacity, facilities, and capability to supply quantities, at times and with reliability needed for efficient operation, to protect confidential information, and any other factors Service LLC deems relevant, Service LLC shall notify Franchisee whether or not the manufacturer or supplier is approved to supply the item to Franchisee; and the basis for any disapproval. The parties intend this Section 11(g) to permit Franchisee to purchase items meeting Service LLC's standards and specifications from manufacturers and suppliers of Franchisee's choice, subject to reasonable approval of Service LLC.

(h) Service LLC may withdraw approval of an item or manufacturer or supplier if Service LLC decides circumstances warrant. Franchisee shall stop acquiring or using any item or acquiring from any manufacturer or supplier as to which approval is withdrawn.

(i) Franchisee acknowledges that quality control of products used or sold by Hamburger Stand franchisees is proper and important to the operation of the Hamburger Stand system and to protection of the Trademarks, and that the provisions in this Section 11 are reasonable for these purposes.

12. OWNERSHIP AND PROTECTION OF INTELLECTUAL PROPERTY

(a) Franchisee acknowledges that its entire knowledge of the operation of a Hamburger Stand Restaurant including, without limitation, methods of preparation of menu items, food products and other specifications, standards and operating procedures is derived from information disclosed to Franchisee by Service LLC and that such information is proprietary, confidential and comprises trade secrets of Service LLC. Any improvements developed by Franchisee, any customer lists developed or obtained by Franchisee, and any databases developed or obtained by Franchisee pursuant to or connected with Franchisee's operation of the Hamburger Stand Restaurant (collectively "Developed IP") shall be deemed to constitute proprietary information of and belong solely to Service LLC. Further, Service LLC shall be authorized to develop, modify, use and authorize others to use the Developed IP without compensation to Franchisee or others beyond the consideration comprised of this Agreement. Notwithstanding the above, it is agreed that Franchisee shall not test, offer, or sell any new product without Service LLC's prior written consent. In case Franchisee is deemed to own any interest in Developed IP, then for avoidance of doubt Franchisee hereby assigns and transfers to Service LLC all Franchisee's right, title and interest in and to the Developed IP. Franchisee shall execute instruments that Service LLC may request to further confirm Service LLC's exclusive ownership of all Developed IP.

(b) "Trade Secrets" refers to the whole or any portion of the Manual, know-how, knowledge, methods, recipes, formulae, specifications, processes, procedures and/or improvements regarding the Hamburger Stand Restaurant, the System and any information that is valuable and secret in the sense that it is not generally known to competitors of Franchisor and Service LLC or others who could benefit from having such knowledge. Trade Secrets also includes Developed IP. Franchisee shall maintain the absolute confidentiality of all such information during and after the term of the franchise in perpetuity and Franchisee shall not use any such information in any other business or in any manner not specifically authorized or consented to in writing by Franchisor or Service LLC.

(c) Franchisee shall divulge confidential information only to the extent and only to those of Franchisee's employees who must have access to the portion of the confidential information divulged, to operate the Hamburger Stand Restaurant. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Service LLC designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee demonstrates lawfully came to Franchisee's possession prior to disclosure by Service LLC ; or which, at the time of disclosure by Service LLC to Franchisee, had lawfully become part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Service LLC , lawfully becomes a part of the public domain, through publication or communication by others without fault or involvement of Franchisee.

(d) To assist in protecting Trade Secrets and confidential information against intentional or inadvertent misuse, during the term of this Agreement and for two (2) years after it is cancelled, assigned, expires without renewal or terminates or is transferred, Franchisee and Franchisee's

stockholders, members, joint ventures, directors, managers, officers, partners, managerial employees and equivalents of each of the foregoing, shall not have any direct or indirect interest as an owner, investor, partner, lender, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any "Competing Business". Competing Business is a business that is both (i) located at or within 25 miles of the Licensed Premises or premises of any Hamburger Stand Restaurant; and (ii) engaged in preparing, offering or selling food products that are the same as or substantially similar to those (x) offered or sold by the Hamburger Stand Restaurant or (y) in development by Franchisor or Service LLC during the one year prior to expiration or termination. Franchisee shall take all steps needed to assure compliance with this provision by Franchisee's stockholders, members, joint ventures, directors, officers, partners, managerial employees and equivalents. Following expiration or termination of this Agreement, Franchisee shall never use any packaging techniques, processes or food preparation methods or formulas obtained, learned or used by Franchisee as a Hamburger Stand franchisee.

(e) Franchisee acknowledges that the scope of the restriction in Section 12(d) is narrow, and does not restrict anyone from engaging in the restaurant or food service business outside the narrow scope of Section 12(d) or from engaging in an entire trade or profession, and that Franchisee has other considerable skills, experience, abilities and education which enable Franchisee to derive income from other activities and therefore the covenants in Section 12(d) will not impose any undue hardship on Franchisee. Any violation of Section 12(d) by any person or entity referred to shall be deemed to be a material breach of this Agreement by Franchisee.

(f) Franchisee acknowledges that Hamburger Stand Service LLC owns all right, title and interest, together with all the goodwill, of the Trademarks. Franchisee acknowledges that Franchisee's right to use the Trademarks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Service LLC from time to time. Any unauthorized use of the Trademarks by Franchisee shall be deemed to be a breach of this Agreement and infringement of the rights of Service LLC in and to the Trademarks. Franchisee acknowledges that all usage of the Trademarks by Franchisee and any goodwill established by Franchisee's use of the Trademarks shall be for the exclusive benefit of Service LLC and that this Agreement does not confer any goodwill or other interests in the Trademarks on Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, cancellation or transfer, contest the validity or ownership of any of the Trademarks or assist any other person in contesting their validity or ownership. All provisions of this Agreement applicable to the Trademarks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Service LLC after the date of this Agreement.

(g) Franchisee shall not use any of the Trademarks or portion of any Trademarks as part of a corporate or entity or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form. Franchisee shall not use any of the Trademarks in connection with the sale of any unauthorized product or service or in any manner not expressly in writing by Service LLC. Franchisee shall give such notices of trademark and service mark registrations as Service LLC specifies and obtain fictitious or assumed name registrations as may be required under applicable law.

(h) Franchisee shall promptly notify Service LLC of any claim, demand or cause of action based on or arising from any attempt by any other person, firm, entity or organization to use the Trademarks or any imitation. Franchisee shall notify Service LLC of any action, claim or demand against Franchisee relating to the Trademarks within three (3) days after Franchisee receives notice of the action, claim or

demand. After receipt of timely notice of an action, claim or demand against Franchisee relating to the Trademarks Franchisor and/or Service LLC shall have the right, but not the duty, to defend any such action. Service LLC shall have the right to contest or bring action against any third party regarding the third party's use of any of the Trademarks and shall exercise such right in Service LLC's sole discretion. In any defense or prosecution of any litigation relating to the Trademarks or components of the Hamburger Stand System undertaken by Service LLC, Franchisee shall cooperate with Service LLC and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Service LLC's counsel, to carry out such defense or prosecution.

(i) If it becomes advisable at any time, in Service LLC's sole discretion, for Service LLC to modify or discontinue use of any Trademarks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall cooperate in and comply with Service LLC's direction to modify or discontinue use and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols promptly after notice to Franchisee by Service LLC. Service LLC shall have no liability or obligation whatsoever with regard to such modification or discontinuance.

(j) To preserve the validity and integrity of the Trademarks and any other intellectual property licensed to Franchisee, and to ensure that Franchisee is properly using these in the operation of the Hamburger Stand Restaurant, and to assess compliance with this Agreement, Service LLC or its agents shall have the right of entry and inspection of the Licensed Premises and operating procedures at all reasonable times, with or without prior notice. Service LLC shall have the right to observe the manner in which Franchisee provides services and conducts operations, to confer with Franchisee's employees, customers, vendors, suppliers and others, and to select menu items, ingredients, food and non-food products, beverages and other items, products and supplies for test of content and evaluation purposes to make certain that these are satisfactory and meet quality control provisions and performance standards established by Service LLC.

(k) Franchisee shall not establish a website on the Internet or other electronic or social media presence using any domain name containing the words "Hamburger Stand," "Tastee Freez," or other Trademarks or similar words. Service LLC retains the sole right to advertise on the Internet and/or other electronic or social media and/or create a website or the like using the above described words as, in or as part of the domain name. Franchisee acknowledges that Service LLC is the owner of all right, title and interest in and to such domain name(s) or the like as Service LLC designates in the Manual. Service LLC retains the right to pre-approve and/or decline to approve Franchisee's use of linking and framing between Franchisee's web pages and all other websites. If requested by Service LLC, Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee's web pages and any other websites, as requested by Service LLC.

(l) A decision of a court or other tribunal having jurisdiction, that all or part of this Section 12 is unenforceable in a state other than where the Licensed Premises are located, shall not relieve Franchisee of the obligation to comply with this Section 12. If a court or other tribunal having jurisdiction determines that all or part of this Section 12 is unenforceable in the state where the Licensed Premises are located but that the provision would be enforceable if its scope were reduced, then the provision shall be deemed to be reduced to encompass the maximum time, geography and activity that is permissible in that state, and as reduced in scope shall be enforced.

13. TRANSFER

(a) Franchisee shall have no right or power to, and shall not purport to sell, assign, transfer or encumber this Agreement or any right or interest in this Agreement, or in the Licensed Premises or Hamburger Stand Restaurant, nor allow any assignment, transfer or encumbrance of the foregoing or any interest in the ownership of Franchisee to occur, by operation of law or otherwise, without first obtaining written consent of Franchisor and/or Service LLC. Any purported sale, assignment, transfer or encumbrance other than as provided in this Section 13 shall be void, of no effect and is a material breach of this Agreement.

(b) Franchisee may sell and transfer Franchisee's rights under this Agreement, or sell and transfer an interest in the ownership of Franchisee, to a bona fide purchaser, subject to first offering to sell and assign those rights and/or interest(s) to Franchisor and/or Service LLC on the same terms and conditions as proposed to be sold and transferred to the prospective purchaser. All proposed sale offers shall be fully set forth in writing and provided in full to Franchisor and/or Service LLC together with copies of the documents embodying the offer and all related correspondence. Franchisor or Service LLC shall have thirty (30) days from date of receipt to accept any such offer. If Franchisor or Service LLC has not accepted the offer within such thirty (30) days, then Franchisee may complete the sale to the prospective purchaser on the same terms and conditions, provided that Franchisee is not then in breach of this Agreement and further provided that Franchisor and/or Service LLC may impose any conditions to consenting to such sale and transfer, including, but not limited to the following:

(1) To insure that the required facility upgrades are completed timely, Franchisee must also pay to Service LLC an additional transfer fee equal to ten percent (10%) of the total estimate on the Hamburger Stand Restaurant Evaluation. If the work described in the Hamburger Stand Restaurant Evaluation is completed within the time period required by Service LLC, then an amount equal to this additional transfer fee will be paid to Franchisee as a work performance bonus.

(2) Franchisee must not be in breach of any agreement with Franchisor and/or Service LLC, or any supplier and must satisfy fully all obligations, including post-term obligations, to Franchisor, Service LLC and others arising out of the operation of the Hamburger Stand restaurant;

(3) Franchisee must satisfy all past due obligations to Franchisor and Service LLC, arising out of Franchisee's operation of other restaurants franchised from Franchisor and any consent or approval to the transfer does not waive any claims of Franchisor or Service LLC. The Franchisee shall also sign a release in favor of Franchisor, Service LLC and their respective shareholders, members, directors, managers, officers, employees and affiliates, in a form specified by Franchisor or Service LLC;

(4) The proposed transferee must satisfy Franchisor and/or Service LLC that transferee is of good moral character and reputation and has a good credit rating and good business qualifications and meets Franchisor's and Service LLC's then-current financial and managerial and other criteria required of new franchisees, and within time limits set by Franchisor and/or Service LLC must obtain all permits and licenses required for operation of the Hamburger Stand Restaurant;

(5) The purchase price and terms shall be subject to Franchisor's and/or Service LLC's reasonable review and consent and must not be high, excessive or burdensome in Franchisor's or Service LLC's judgment as to threaten the future operation of the Hamburger Stand Restaurant, and

the proposed transferee must have sufficient equity capital in the business to result in a debt-to-equity ratio of at least one-to-one, or other debt-to-equity ratio that Franchisor and/or Service LLC approve;

(6) The proposed transferee must meet with Franchisor's and/or Service LLC's personnel and successfully pass whatever tests are required by Franchisor and/or Service LLC to assess aptitude and ability to own and operate a Hamburger Stand Restaurant;

(7) The proposed transferee must successfully complete all training required of new franchisees and pay Franchisor's and/or Service LLC's then-current charges for training;

(8) Franchisee or the proposed transferee must pay to Service LLC a transfer fee of three thousand dollars (\$3,000), of which one thousand five hundred dollars (\$1,500) is due when you submit your request to transfer and is not refundable irrespective of the completion of the transfer, and one thousand five hundred dollars (\$1,500) is due when asked by us at the date of transfer. This could increase in the future.

(9) The proposed transferee must sign Franchisor's and/or Service LLC's then-current forms of franchise, sublease, and other agreements, which may contain provisions and restrictions and provide for fees and charges materially different from this Agreement and other existing agreements, including, but not limited to amounts of fees to Franchisor and/or Service LLC, and amounts to be expended on advertising;

(10) The proposed transferee shall pay Service LLC a security deposit equal to one (1) month's payments to Service LLC under the franchise agreement, sublease and any equipment lease;

(11) Franchisee and/or the proposed transferee must make improvements and additions to the facilities and equipment comprising the Hamburger Stand Restaurant as Service LLC requires;

(12) Franchisee shall execute Franchisor's and Service LLC's then-standard Guaranty guaranteeing to Franchisor and Service LLC the performance of all obligations by the proposed transferee;

(13) The Franchisee shall reaffirm the agreement not to compete as set forth in Section 12 of this Agreement.;

(14) Any other conditions that Franchisor or Service LLC deem relevant in the circumstances.

(c) If Franchisee is owned by individuals, the Franchisor and/or Service LLC will consent to the transfer of this Agreement to a corporation or LLC approved by Franchisor and/or Service LLC, provided there are no material circumstances or reasons for Franchisor or Service LLC to object and Franchisee complies with any conditions Franchisor and/or Service LLC require, including, but not limited to the following:

(1) The entity is newly formed and its organizational documents and certificates representing ownership provide expressly that its activities are confined exclusively to operating the Hamburger Stand restaurant as a franchisee and the stockholders, or unit holders/members, of the transferee entity shall be limited to those individuals whom Franchisor and/or Service LLC specify;

(2) Franchisee shall be the legal and beneficial owner of the stock or units of the proposed transferee corporation or LLC, and shall be that entity's principal officer(s) or controlling member(s). Provided Franchisee retains controlling interest of the transferee entity, Franchisee may sell, transfer or assign stock or units in that entity to members of Franchisee's immediate family or to a trustee in trust for the immediate family, to the transferee's operating managers, if the Franchisee and the transferee(s) of the stock or units is not then in default of any terms of any agreement with Franchisor and/or Service LLC. Franchisee may sell, assign, or transfer controlling interest of the transferee corporation or LLC only in compliance with Section 13(b).

(3) all owners, shareholders, members, or partners of the transferee entity who own ten percent (10%) or more of the equity interests in the transferee or each individual who becomes an owner of ten percent (10%) or more of Franchisee as a result of the transfer, or through a series of transfers, shall enter into a written agreement, in a form satisfactory to Franchisor and/or Service LLC, jointly and severally guaranteeing full payment and performance of Franchisee's obligations under this Agreement;

(4) Franchisee shall pay Franchisor and/or Service LLC a transfer fee. The transfer fee is due with the request to transfer and is not refundable whether or not the transfer occurs. At the time of signing this Franchise Agreement, the transfer fee under this subsection is Five Hundred Dollars (\$500). This could increase in the future and if so the increased amount will be applicable.

(d) In the event of death or disability of Franchisee, then following written request, Franchisor and/or Service LLC shall consent to the transfer of the Franchisee's interest to Franchisee's surviving spouse, heirs or relatives by blood or by marriage, whether the transfer is made by will or by operation of law, provided that: (1) in Franchisor's and/or Service LLC's sole discretion and judgment the person or persons obtaining the interest(s) are capable of and committed to conducting the business in a manner satisfactory to Franchisor and/or Service LLC; and, (2) the transferee satisfies Franchisor's and/or Service LLC's then current requirements pertaining to transfer or subletting, including, but not limited to the conditions listed immediately above in subsection (b).

(e) Franchisee acknowledges that the restrictions and conditions contained in the Section 13 are to protect Franchisor's and/or Service LLC's Trademarks, trade secrets, and reputation and image. Any purported issuance, sale, transfer or assignment of any stock, units or other indicia of ownership other than as provided in this Section 13 without Franchisor's and/or Service LLC's prior written consent shall be a material breach of this Agreement and grounds for Franchisor and/or Service LLC to terminate Franchisee's rights under this Agreement without providing an opportunity to cure the breach.

(f) Franchisor's and/or Service LLC's consent to a proposed transfer will not be unreasonably withheld or delayed.

14. DEFAULT

(a) The occurrence of any of the following events shall be a default and good cause for Franchisor and Service LLC, at their option and without prejudice to any other rights or remedies under this Agreement or law, to terminate Franchisee's rights under this Agreement if Franchisee fails to cure the default within five (5) days after Franchisee's receipt of written notification, unless a different time is specified below:

(1) Franchisee is adjudicated bankrupt, becomes insolvent, or a temporary or permanent receiver of any of Franchisee's property is appointed; or Franchisee makes a transfer for the benefit of creditors, or a judgment remains unsatisfied for thirty (30) days or longer (unless supersedes bond is filed) or execution is levied against Franchisee's business or property, or suit to foreclose a lien or mortgage against the Licensed Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days;

(2) Franchisee defaults in performing any term, condition or obligation or payment of any amount due to Franchisor or Service LLC, or to any supplier or anyone else arising out of the purchase of supplies or purchase or lease of equipment for the restaurant;

(3) Franchisee defaults in payment under any promissory note or other evidence of debt to Franchisor or Service LLC or payment of any fees or for any advertising or fails to submit any profit and loss statements or other financial statements or data or report of Net Sales or other report required by this Agreement, or Franchisee makes any false statement in any financial or other report to Franchisor or Service LLC;

(4) Franchisee fails to maintain the standards required by this Agreement, and as supplemented by the Manual;

(5) Franchisee violates any health, safety or sanitation law, ordinance, or regulation, or operates the Hamburger Stand Restaurant in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation as soon as reasonably possible, but in no event longer than five (5) days after Franchisee receives written notice from Franchisor or Service LLC;

(6) Franchisee fails to make or cause to be made those routine maintenance, repairs and alterations, as Franchisor and Service LLC deem necessary to ensure compliance with Service LLC's specifications, standards and instructions, and does not complete any and all repairs and maintenance within thirty (30) days after Franchisee receives written notice from Franchisor or Service LLC. If the maintenance, repairs, and alterations cannot be completed within thirty (30) days of Franchisee's receipt of Franchisor's or Service LLC's written notice, then Franchisee must commence and diligently pursue such maintenance, repairs, and alterations to completion as soon as possible;

(7) Franchisee fails to maintain the insurance as Service LLC may require and does not obtain the required insurance within ten (10) days after Franchisee receives written notice from Service LLC;

(8) Franchisee breaches any other agreement between Franchisee and Franchisor or Service LLC, and does not cure such breach within applicable cure periods set forth in such other agreement. Further, an uncured breach or involuntary termination of this Franchise Agreement shall be considered a breach of any other agreement between Franchisee and Franchisor or Service LLC, and subject other agreement to grounds for termination.

(9) Franchisee violates any law, ordinance, rule or regulation in relation to the Hamburger Stand Restaurant, or in any way that Franchisor and/or Service LLC believes may injure the reputation of Service LLC, Franchisor or the Trademarks, or Franchisee permits a violation to go uncorrected after notification, unless there is a bona fide dispute about the violation or legality of the law, ordinance, rule or regulation, and Franchisee promptly contests the violation or legality in court or using the government agency's administrative procedures;

(10) Franchisee ceases to do business at the Licensed Premises or defaults under any lease or sublease or loses Franchisee's right to possession of the Licensed Premises;

(11) Franchisee commits a material default and Franchisor and/or Service LLC have twice previously given Franchisee written notice of the same type of default(s) within the preceding twelve (12) months, whether or not Franchisee has cured the default(s). Termination of this agreement shall be immediate and will not have time to cure this default;

(12) Franchisee fails to satisfactorily complete the initial training or other training provided in Section 7 or elsewhere in this Agreement;

(13) Franchisee or a representative of Franchisee made any material misrepresentation or omission in its application for the franchise even if not discovered until later;

(14) Franchisee is convicted of or pleads no contest, where such plea is applicable, to a felony or other crime or offense that Franchisor or Service LLC believes may adversely affect the reputation of Franchisee or the Hamburger Stand Restaurant;

(15) Franchisee is or becomes a subject of media attention for any act, omission, conduct or behavior of any kind whatsoever, or there is a risk of media attention, which may injure the reputation or goodwill of any of the Trademarks (regardless of whether the matter that is the basis of the media attention is true or not);

(16) Franchisee makes any unauthorized use, disclosure or duplication of any portion of the Manual or duplicates or discloses or makes any unauthorized use of any Trade Secret or confidential information provided to Franchisee by Franchisor and/or Service LLC;

(17) Franchisee violates any term or condition or other provision of this Agreement.

(b) In addition to all other rights and remedies available to Franchisor and Service LLC, and not in lieu of any other right or remedy, and not as an exclusive remedy, Franchisor and Service LLC shall have the rights to (i) assess Franchisee a service charge of two hundred fifty dollars (\$250), or more, for each breach or default comprised of a noncompliance or other form of violation of any standard, procedure, or requirement of this Agreement or the Manual, and/or (ii) each acting on its own or both acting together, to implement remedial or cure actions, and charge Franchisee all costs and expenses incurred to do so. The service charge is deemed by Franchisor, Service LLC, and Franchisee to be a reasonable estimate of Service LLC's administrative and management costs. Service LLC will collect such charges from Franchisee by automated debit or other method, in lump sum or over time, if Franchisee fails to cure a breach of any standard procedure or requirement, or requiring or involving correction, replacement, improvement or other attention concerning maintenance, design, décor, appearance, obsolescence, or the like concerning the restaurant or any furniture, fixtures, equipment or other aspect of the restaurant.

(c) Failure or delay by Franchisor or Service LLC to take action on account of any default(s) by Franchisee, whether a single instance or repeatedly, shall not waive any default or the performance required of Franchisee. A waiver by Franchisor or Service LLC of any obligation or performance or of any default by Franchisee on any one or more occasions shall not be an implied waiver of any other or future obligation, performance, or default.

15. EFFECTS OF EXPIRATION OR TERMINATION; POST TERMINATION OBLIGATIONS

(a) On expiration or termination of this Agreement, regardless of the reasons, Franchisee shall immediately and permanently (1) stop using the words "Hamburger Stand" and "Tastee-Freeez" and any other words similar in form, spelling or sound to these words, anywhere in the world; (2) stop using all the other matter comprising the Trademarks; (3) refrain from identifying Franchisee as a franchisee or former Hamburger Stand or "Tastee-Freeez" franchisee; (4) stop using all trade secrets, formulas, menus, processes, signs, symbols, proprietary equipment, devices, recipes, food mixes or other materials constituting part of the Hamburger Stand System; (5) at Franchisee's cost remove from all premises owned or controlled by Franchisee all signs, menus, writings, notices and all other indicia or material related or referring to the Trademarks; (6) repaint the roof of the Licensed Premises to a color entirely dissimilar to the approved color at the time of termination or expiration; and (7) make other removals and changes in signs and layout and colors of buildings and structures as Service LLC requests to distinguish the Licensed Premises from their former appearance and from other Hamburger Stand restaurants. Service LLC shall have the right to enter any and all premises to take any action under this Section 15(a) that Franchisee fails to take, without further notice and Franchisee shall reimburse all Service LLC's costs to do so.

(b) On expiration or termination of this Agreement, Franchisee is deemed to have granted to Service LLC the option to purchase any or all paper goods, containers, signs, menus and any and all insignia bearing any of the Trademarks, at the lower of cost or fair market value at the time of termination.

(c) In the event of termination due to default of Franchisee, the extent of all damages which Franchisor and Service LLC have suffered due to the default shall be and remain a lien in favor of Franchisor and Service LLC against any and all personal property, machinery, fixtures and equipment owned by Franchisee on the Licensed Premises at the time of the default.

(d) In the event of termination due to breach or default by Franchisee, Franchisee shall be liable for Franchisor's and Service LLC's lost future revenues and profits, even if Franchisor and/or Service LLC terminated this Agreement due to breach or default.

(e) Any provision of this Agreement which imposes an obligation after termination or expiration (for example, Sections 12(a) and 12(c)) shall survive termination or expiration of this Agreement and shall continue to be binding on Franchisee until fully performed or until, by its nature, the provision has expired.

16. VERIFICATION OF OBLIGATIONS

Service LLC shall have the right to take any action reasonable in the industry and without monetary implications that Service LLC deems appropriate to directly or indirectly verify or encourage Franchisee's performance of obligations in this Agreement, including but not limited to (a) installing or requiring Franchisee to install in and about the Licensed Premises cash registers, security systems, computer systems, and monitoring devices, all meeting specifications set by Service LLC; (b) receiving from Franchisee's suppliers any information relating to products and services provided to Franchisee; (c) inspecting Franchisee's records of the Licensed Premises, and food products and other inventory at the Licensed Premises; (d) reasonable surveying or questioning of customers and/or suppliers of Franchisee; and (e) other reasonable actions Service LLC deems appropriate.

17. RISK MANAGEMENT

(a) Franchisee shall indemnify, defend and hold Franchisor and Service LLC and their personnel free and harmless from any debt or obligation or injury or loss or damage that any person or entity claims: (1) was contracted or undertaken by Franchisee; or (2) resulted from an act or omission of Franchisee; (3) was contracted or undertaken by Franchisee or resulted from an act or omission of Franchisee in any such case actually or allegedly on Franchisor's or Service LLC's behalf (also including matters expressly or impliedly or having the appearance of being on Franchisor's or Service LLC's behalf, or allegedly occurring in an alleged joint relationship with Franchisor or Service LLC); or (4) arising from any lien, judgment, encumbrance, obligation or matter arising from or relating to injury to, or claim of, any person or entity, operation of or activity at or occurrence at the Hamburger Stand Restaurant, or at the Licensed Premises; or (5) government inquiry or investigation or proceeding of or concerning Franchisee or the Hamburger Stand Restaurant or Licensed Premises.

(b) Franchisee shall defend the matters in Section 17(a) at Franchisee's expense, settle such matters at Franchisee's expense, and pay and discharge and satisfy fully and in its entirety any liability or judgment or order that may be rendered against Franchisor or Service LLC. If Franchisee fails or neglects to do so, Franchisor, Service LLC or both may defend, settle, discharge and satisfy such matters and any expenses, including legal fees and costs of performance, which Franchisor or Service LLC incur, shall be repaid to Franchisor and Service LLC by Franchisee on demand.

(c) Franchisee shall at all times maintain public liability, workers compensation, and food products liability insurance and insurance against additional risks and hazards, in amounts and with insurers that Service LLC requires and/or as required by law. Franchisee shall also maintain insurance required by the lease for the Premises, by any lender to Franchisee and by any equipment leases. Franchisee shall assure that Franchisor and Service LLC, and any other parties they want included, are named as additional insureds under all policies. Service LLC shall have the right to notify Franchisee from time to time, in writing, of the nature and amounts of insurance required and of provisions required to be included and/or not included in any such policy. Within ten (10) days after receiving each notice, Franchisee shall furnish to Service LLC written proof of insurance in the amounts and types required by Service LLC. Franchisee shall provide copies of complete policies on request. Policies shall not include any exclusion from coverage for claims between insureds. Policies shall provide that the insurer shall notify Franchisor and/or Service LLC at least thirty (30) days in advance, in writing, prior to any termination, cancellation, nonrenewal or material modification of such policy. If Franchisee fails to provide proof of insurance and complete policies, then without relieving Franchisee's obligations to maintain that insurance, Service LLC may cause insurance to be obtained at Franchisee's cost. That cost shall be paid or reimbursed by Franchisee upon demand.

(d) Franchisee shall notify Franchisor and/or Service LLC in writing within 5 days of the commencement of any action, suit or proceeding and/or issuance of any government or court order which may adversely affect the operation or financial condition of Franchisee or the Hamburger Stand Restaurant.

(e) Neither Franchisor nor Service LLC shall be liable to Franchisee or other person by reason of any act, omission, neglect or default at the Licensed Premises, or of Franchisee or any of Franchisee's agents or employees. Franchisee shall pay all sums to be paid or discharged in case of action for any such damages or injuries.

18. ADDITIONAL PROVISIONS

(a) Guaranty. Franchisor guarantees the performance of Service LLC's obligations in this Agreement.

(b) Waiver. Franchisee shall have no right to and shall not make any claim, and waives any claim, for money damages, setoff, counterclaim or defense based on a claim that Franchisor or Service LLC unreasonably withheld or delayed a requested consent or approval. Franchisee's sole and exclusive remedy for any such claim shall be an action or proceeding to enforce the provision or for specific performance or declaratory relief regarding the consent or approval.

(c) Relationship. Franchisee is not and shall not be considered a joint venture, joint employer, partner or agent of or with Franchisor or Service LLC., nor vice versa. Franchisee shall have no power and shall not purport to bind or obligate Franchisor or Service LLC. Neither Franchisor nor Service LLC shall be liable for any debt contracted by Franchisee.

(d) Confidentiality. Franchisee shall not communicate the contents of this Agreement to any third party without Franchisor's and Service LLC's prior written consent, except when Franchisee is required to reveal the contents to obtain bank credit, or required by a government agency or court of law, or in negotiating a sale to a bona fide purchaser in accordance with this Agreement.

(e) Payment of Monies. Franchisor and Service LLC shall have the right to require that monies shall be paid by ACH transfer, other form of electronic funds transfer, or other means selected by Franchisor or Service LLC. Franchisee shall sign Franchisor's form of Authorization Agreement for Prearranged Transfer and other documents Franchisor and Service LLC request to facilitate payments to Franchisor and Service LLC attached to this Agreement as Exhibit "B". If Franchisor or Service LLC withdraws any amount exceeding the amount due, Franchisee shall be entitled to the return of the excess withdrawal without interest.

(f) Application of Payments. Notwithstanding any designation by Franchisee, Franchisor and Service, LLC shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Service Fees, advertising contributions, purchases, interest or any other indebtedness as Franchisor and/or Service, LLC elect.

(g) Interest and Late Fees. All monies are due and payable and must be received at Franchisor's and Service LLC's offices at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618 on the dates stated in this Agreement. If Franchisee fails to pay on time, the past due amount shall bear interest at the lesser of the maximum lawful rate in the state where the Licensed Premises are located or eighteen percent (18%) per year, from the date due until date of payment. In addition to interest, Franchisee shall pay to Franchisor or Service LLC a sum equal to ten percent (10%) of the delinquent amount. Franchisee agrees these amounts are reasonable compensation for lost and delayed use of funds and additional services and expenses due to failure to pay on time.

(h) Financial Condition/ Information. Franchisee shall maintain at all times sufficient working capital to fully perform Franchisee's obligations and operate the Hamburger Stand Restaurant in a businesslike, proper, efficient manner and pay Franchisee's obligations as they come due. Franchisee shall provide Franchisor and Service LLC financial and business information, relating to the construction and operation of the Hamburger Stand Restaurant, as Franchisor or Service LLC request

from time to time. This may include, but is not limited to, providing federal, state and local income and sales tax returns and other reports, as Franchisor and Service LLC request from time to time.

(i) Price Adjustments. Franchisor shall have the right to adjust upward for inflation on an annual basis, any fees or charges set, provided for or described in this Agreement or otherwise as a dollar amount or fixed amount. Any such adjustment shall be based on increases reflected by a reasonable inflation index published by the U.S. Government and selected by Franchisor. If the government ceases publishing such an index, Franchisor shall select another reasonable index.

(j) Franchisor Advances; Franchisor Provided Services and Goods. Except as otherwise stated in this Agreement or in another agreement among the parties, Franchisee shall pay to Franchisor or its affiliate (as applicable), within ten (10) days after a written demand by that entity to do so, (a) any amounts Franchisor advances, pays, or becomes obligated to pay on behalf of Franchisee under the provisions of this Agreement; and (b) any amounts Franchisee owes Franchisor or its affiliates for products or services that Franchisee purchases from Franchisor or its affiliates.

(k) Taxes and Other Fees. Except as otherwise stated in this Agreement or in another agreement among the parties, if Franchisor or Service LLC is charged any sales tax, other type of tax (other than income tax), or a fee by a government agency because of sales of goods or services by either entity to Franchisee, licenses granted by either entity to Franchisee, or sales made by Franchisee, Franchisee shall pay the tax or fee to Franchisor or Service LLC within ten (10) days after being notified in writing by Franchisor or Service LLC to do so. For clarification, if any tax or fee is based on sales or licenses to a group (such as to all franchises or Franchisor), Franchisee will pay only its pro-rata share or actual share of the tax or fee assessed.

(l) Legal Fees. In the event of litigation between the parties relating to this Agreement, the unsuccessful party in the litigation shall reimburse the successful party's reasonable attorney's fees, court costs and all other costs reasonably incurred by the successful party.

(m) Partial Invalidity. If a court of competent jurisdiction makes a final determination that any provision of this Agreement is invalid or unenforceable, that provision will be modified by the court so as to best continue to carry out the intent of the parties, or severed from this Agreement if it cannot be so modified; and the remaining provisions remain unimpaired.

(n) Venue. This Agreement shall be deemed to have been entered into at Franchisor's and Service LLC's principal office in Irvine, California, and to require performance at that location. The parties acknowledge and agree that any action or proceeding instituted under or relating to this Agreement shall be brought and tried exclusively in courts in Orange County, California. Franchisee consents to the jurisdiction and venue of such courts and waives any rights to request or require the action or proceeding to be brought or tried elsewhere.

(o) Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Hamburger Stand Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Hamburger Stand Restaurant is located, then such provision shall be interpreted and construed under the laws of that

state. Nothing in this Section 18(o) is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

(p) Interpretation. The provisions of this Agreement have been written with due regard for the interests of and benefits to all parties and are the result of negotiations that have taken place with regard to this Agreement and prior agreements. Notwithstanding that it is printed, the parties acknowledge that this Agreement is not proposed on a take-it-or-leave-it basis, and is not imposed on any party, but that any party may discuss and the parties may mutually agree, before or after entering into this Agreement, to modify any of the provisions. No party is obligated to enter into this Agreement. Any party choosing to enter into this Agreement does so freely and without obligation or pressure to do so. The provisions of this Agreement shall be interpreted according to their fair meanings and not strictly for or against any party. Nothing in this Franchise Agreement or any related agreement is intended to disclaim the presentations Franchisor made to Franchisee in Franchisor's Franchise Disclosure Document.

(q) Time of the Essence. Time is of the essence of performance of Franchisee's obligations in this Agreement.

(r) Notices. All notices and payments shall be in writing and shall be sent by courier service, registered or certified mail, or electronic mail to Franchisee at the Licenses Premises, to the address of Franchisee last-known to Franchisor, and to Franchisor and Service LLC at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618 (or to any party in Franchisor's Legal Department (all such electronic mail must be received and have an acknowledged receipt). Any party may change its address(es) for notices by notifying the other parties, in writing in accordance with this provision, of the change; provided that notices by Franchisor to Franchisee can continue to be delivered to the Licensed Premises during the term of this Agreement. Notices sent by courier service and electronic mail (where delivery is verified) shall be effective upon receipt. Notices sent by registered or certified mail shall be effective three (3) business days following deposit with the U.S. Postal Service with proper address and postage paid.

(s) Successors; Franchisor Transactions. This Agreement shall benefit and bind the parties and their permitted successors and assigns. There is no restriction on assignment and transfer by Franchisor and/or Service LLC, which could be to one or more entities whose nature is different than Franchisor and/or Service LLC or competitive enterprises. There is no restriction on acquisition by Franchisor and/or Service LLC of other, even competitive businesses or brands, which potentially could operate in competition with Franchisee.

(t) Franchisor and Service LLC Business Judgment. Franchisee acknowledges and agrees that Franchisor or Service LLC may operate and change the Hamburger Stand System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor or Service LLC has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, Franchisor or Service LLC may make such decision or exercise its right and/or discretion on the basis of Franchisor's or Service LLC's judgment of what is in Franchisor's or Service LLC's best interests, including without limitation Franchisor's or Service LLC's judgment of what is in the best interests of the Hamburger Stand System, at the time Franchisor's or Service LLC's decision is made or its right or discretion is exercised, without regard to whether: (a) other reasonable alternative decisions or actions, or arguably preferable alternative decisions or actions, could have been made by Franchisor or Service LLC; (b) Franchisor's or Service LLC's decision or the action taken promotes

Franchisor's or Service LLC's financial or other individual interest; (c) Franchisor's or Service LLC's decision or the action applies differently to Franchisee and one or more other franchisees or Franchisor's or Service LLC's company-owned or affiliate-owned operations; or (d) Franchisor's or Service LLC's decision or the exercise of its right or discretion is adverse to Franchisee's interests. Franchisor and Service LLC will have no liability to Franchisee for any such decision or action. Franchisor, Service LLC and Franchisee intend that the exercise of Franchisor's or Service LLC's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor, Service LLC and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor and Service LLC a wide range of discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

(u) Approvals and Consents. Whenever this Agreement or otherwise requires or provides for prior approval or consent of Franchisor and/or Service, LLC, Franchisee shall make a timely written request to Franchisor and/or Service, LLC therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. All approvals and consents shall be granted or withheld in the sole and absolute discretion of Franchisor and/or Service LLC, except as otherwise provided herein. Franchisor and Service LLC make no warranties or guarantees on which Franchisee may rely and assume no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

(v) Entire Agreement. This Agreement contains all of the provisions agreed by the parties regarding its subject matter. All prior understandings, negotiations and representations are merged into and superseded by this Agreement. Franchisee represents that there is no other contemporaneous agreement or understanding between the parties that are not stated herein. No officer, employee or agent of Franchisor or Service LLC has authority to make any representation or promise not stated in this Agreement, and Franchisee acknowledges that Franchisee is executing this Agreement without reliance on any representation or promise Franchisee may believe or later claim to believe Franchisee may have heard or been told. This Agreement cannot be modified or changed except by written instrument signed by all parties. Nothing in this Agreement or in any related agreement disclaims representations Franchisor made in the Franchise Disclosure Document.

Signature Page Follows

Executed the date stated in the introductory paragraph to this Agreement.

FRANCHISOR:

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Vice President

SERVICE LLC:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member
GALARDI GROUP FRANCHISE & LEASING, INC.

By: _____
Vice President

FRANCHISEE:

Printed Name

Signature

EXHIBIT A

As used in the Franchise Agreement entered into between Galardi Group Franchise Corp. ("Franchisor"), Galardi Group Franchise & Leasing, LLC ("Service LLC") and _____ ("Franchisee"), dated _____, 20__, the Licensed Premises shall be the following:

Dated: _____, 20__

_____ (Franchisor)

_____ (Service LLC)

_____ (Franchisee)

EXHIBIT "B"

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)

(COMPANY NAME)

NAME OF BANK _____

NAME OF BRANCH, IF ANY _____

ADDRESS OF BANK _____

ACCOUNT IN THE NAME OF _____

ACCOUNT # _____

The undersigned requests and authorizes you to pay and charge to the above account the undersigned's checks drawn on the account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in the account to pay the same on presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of _____ to sign such checks. This authority remains in effect until revoked by me in writing and until you receive such notice, I agree you shall be fully protected in honoring any such check.

It is further agreed that if any check is dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

(Date)

(Bank Signature of Depositor)

(Attach Voided Check Here)

EXHIBIT C
OFFER TO PURCHASE

OFFER TO PURCHASE

This OFFER TO PURCHASE is made by _____ ("Purchaser") to GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL") both located at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618, with reference to the following facts:

BACKGROUND

GGFC's business is franchising Hamburger Stand® restaurants. GGFL's business is providing services to operators of Hamburger Stand® restaurants. Purchaser offers to GGFC and GGFL to buy the tangible assets of that certain Hamburger Stand® restaurant, as follows:

OFFER

I. Restaurant

Purchaser offers to buy from GGFC the following Wienerschnitzel restaurant:

Wienerschnitzel Unit # _____ located at:

Included in the purchase price of the restaurant will be the following assets:

- A. Lease of the fixtures and equipment presently located at the restaurant;
- B. Sublease of GGFL's leasehold interest pertaining to the real property and improvements pertaining to the restaurant;
- C. Going concern value of the restaurant; and
- D. A license permitting Purchaser to operate the restaurant as a Wienerschnitzel® restaurant, pursuant to the terms and conditions of a written Franchise Agreement.
- E. All stock in trade and merchandise of the restaurant as determined by an inventory and accounting of the stock in trade and merchandise, to be conducted by the parties after close of business the day before the closing of the sale.

The offer does not seek to purchase, and the purchase of assets of the restaurant does not include, and there is no transfer of any interest in any trademarks, trade dress, copyrights, trade secrets, patents, goodwill, data or other intangible or intellectual property of GGFC, GGFL or used in or associated with the operation of the restaurant. Arrangements permitting Purchaser to make limited use of certain of these intangible/intellectual properties as a licensee may be included in the Franchise Agreement referred to above.

II. Price

The purchase price for the sale of the assets shall be the sum of _____
_____ DOLLARS (\$ _____), plus cost of the stock in trade and merchandise of the restaurant.

III. Allocation of Purchase Price

The purchase price is allocated as follows:

i.	Franchise License	\$ _____
ii.	Leasehold Estate	\$ _____
iii.	Going Concern Value	\$ _____
	TOTAL	\$ _____

The additional amount be paid, on account of the cost of the stock in trade and merchandise of the restaurant shall be allocated to such stock in trade and merchandise.

IV. Payment of Purchase Price

Purchaser shall pay the purchase price as follows:

A. The sum of _____ dollars (\$_____) is provided as an earnest money deposit by Purchaser, on delivery of this Offer;

B. The sum of _____ dollars (\$_____) is payable by cash or certified check at closing,

C. Actual cost of the stock in trade and merchandise, as determined by inventory, plus any sales tax is payable by cash or certified check at closing; and

D. The sum of _____ dollars (\$_____) plus all closing costs and prorations, is payable upon execution of all documents and in any event not later than the closing.

V. Contingency

This Offer and the rights and obligations of the parties on acceptance is contingent on the occurrence of each of the following events on or before the closing date:

A. Approval of Purchaser by the Franchise Review Committee of GGFC. This approval may require, among other things, that, prior to consummation of the sale, Purchaser demonstrate satisfaction of objective and subjective criteria of the Franchise Review Committee (and it is possible the criteria may not be fully disclosed to Purchaser), undergo operational training as may be required by the Franchise Review Committee and satisfy other requirements; and Purchaser acknowledges no one has given assurance of approval and there is no assurance Purchaser will be approved;

B. GGFL's ability to terminate possession of any existing lease operators of the restaurant. GGFL agrees to use reasonable efforts seeking to accomplish such termination; provided, however, if in GGFL's judgment, termination cannot be timely accomplished, creates risk of a claim or dispute, then GGFL may notify Purchaser in writing and this contingency shall be deemed not to be satisfied; and

C. Purchaser's execution of the following documents, each fully completed, in form and containing provisions that are all satisfactory to GGFC and GGFL:

- i. Hamburger Stand Franchise Agreement.
- ii. Sublease.

- iii. Equipment Lease.
- iv. Promotional Allowance Assignment.
- v. Advertising Association Agreement for the appropriate advertising area.
- vi. Any other instruments GGFC and GGFL customarily requires of a franchisee.
- vii. Any other instruments GGFC and GGFL may require of Purchaser in this instance.

D. There being no threatened or actual claim or demand by any person, entity or government agency or official against or potentially against GGFC and/or GGFL relating to or affecting the proposed sale.

If any of these contingencies is not met, then this Agreement shall, at the option of any party, be void and GGFC agrees to repay the earnest money deposit received from Purchaser unless failure to satisfy a contingency is caused by the act or omission of Purchaser or is a matter that was within Purchaser's knowledge and ability to have disclosed to GGFC and/or GGFL. In any of these events Purchaser and GGFC agree it would be difficult and impractical to assess the damage to GGFC on account of that act or omission and GGFC and Purchaser agree that the sum of ONE THOUSAND FIVE HUNDRED DOLLARS (\$1,500) represents a reasonable, just and fair compensation to GGFC on account of the failure of the transaction, and GGFC may retain such sum from the earnest money deposit.

VI. Closing Date for Sale

The closing date of the sale shall occur on _____ or such earlier time as may be mutually acceptable to GGFC and Purchaser. The closing shall take place at the offices of GGFC in Irvine, California. On completion of closing, each of the contingencies described in Section V shall be deemed to have been satisfied or if not satisfied, then at GGFC and GGFL's option, waived for purposes of this instrument, or deferred, and if deferred, those conditions that are within Purchaser's control shall be deemed to be obligations of Purchaser. The foregoing shall not excuse Purchaser's obligation to enter into the agreements described or referred to in Section V(C)).

VII. Transfer of Possession

GGFL shall transfer possession of the restaurant to Purchaser and Purchaser shall accept the transfer of possession on _____, 20____.

VIII. Prorations

At and after the closing, the following expenses shall be adjusted, as of the date of transfer of possession:

- A. Rent for the leasehold premises;
- B. Insurance premiums if Purchaser desires to assume the existing insurance policies and assumption is acceptable to the insurance company and occurs;
- C. Real and personal property taxes, any other government and association assessments, based on the most recent levy and assessments;
- D. Water, gas, electric, sewer, trash removal and other utilities used in the restaurant business; and
- E. Rental for the fixtures and equipment within the restaurant
- F. Any other recurring expenses associated with the restaurant business at the restaurant.

IX. Licenses

Purchaser shall be solely responsible for the payment of all sales tax, transfer tax, documentary tax and

EXHIBIT C

to obtain and pay for licenses, permits, fees and taxes that may be required by any government agency pertaining to the transfer and operation of the restaurant.

X. Investigation by Purchaser

Purchaser represents and warrants to GGFC and GGFL that Purchaser examined, inspected and investigated the restaurant, the physical condition of all its fixtures and equipment, the books and records of the restaurant, the area and community of and around the restaurant, government records concerning the location and area, zoning and other federal, state and local laws and regulations, records of agencies and news and media reports concerning activities and potential activities and conditions in the area, Purchaser decided how extensive an examination, inspection and investigation to conduct, Purchaser assumes the risks of lack of information or misinformation resulting from not examining, inspecting and investigating further, and that the restaurant is being purchased by Purchaser as a result of that examination, inspection and investigation and of Purchaser's decision as to how extensively to examine, inspect and investigate, and not as a result of any representations made by GGFC or GGFL or agent of either of them. PURCHASER IS PURCHASING THE RESTAURANT, STOCK IN TRADE AND MERCHANDISE, AND LEASING THE FIXTURES AND EQUIPMENT IN "AS IS" CONDITION WITH ALL FAULTS. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES WHETHER OF MERCHANTABILITY OR FITNESS OR OTHERWISE. ALL WARRANTIES ARE DISCLAIMED. Purchaser represents and warrants that Purchaser is not relying on any financial or business estimates or projections from or on behalf of GGFC or GGFL, nor any express or implied representation from or on behalf of GGFC or GGFL as to any of the matters in this Section X described as subjects of Purchaser's examination, inspection and investigation. Purchaser waives any and all claims for damages or rescission or cancellation of this Agreement because of any claimed representations made by GGFC or GGFL or agent of either of them, other than representations expressly stated in this Offer.

XI. Indemnity

GGFC shall indemnify, defend and hold Purchaser free and harmless of any and all claims, losses, damages, injuries, and liabilities arising from or on account of GGFL's operation of the business and not shown on the books of the business as of the date of this Offer. Except as expressly stated herein, GGFC makes no warranty that any third parties were paid by prior owners or operators.

Purchaser shall indemnify, defend and hold GGFC and GGFL free and harmless of any and all claims, losses, damages, injuries, and liabilities arising from or on account of the business Purchaser's operation of the business and/or the purchased assets on and after of the date of acceptance of this Offer. This indemnity, defense and hold harmless obligation is additional to and does not supercede and is not superceded by any and all other written indemnification, defense and hold harmless agreements of Purchaser in favor of GGFC and/or GGFL.

XII. Entire Agreement

This Agreement contains all of the terms and conditions agreed on by the parties with reference to its subject matter. No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties and all prior agreements, understandings and representations are merged herein and superseded hereby. Franchisee represents that there are no other contemporaneous agreements or understandings between the parties that are not contained herein. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement, and Purchaser agrees that Purchaser executed this Agreement without reliance on any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties.

XIII. Attorney's Fees

In any litigation between the parties to this Offer, the property, business, this Agreement, or the rights and duties of the parties in relation thereto, the party(s), prevailing in the litigation, shall be entitled, in addition to other relief that may be granted, to a reasonable sum as and for its or his attorney's fees in the litigation or in

a separate action brought for that purpose.

XIV. Notices

Any and all notices or other communications required or permitted by this Offer or by law to be served on or given to the other party shall be in writing and shall be deemed duly served and given when personally delivered to the party or person to whom directed, or in lieu of such personal services when delivered by overnight courier such as Fedex or UPS or by U.S. mail, having been sent by certified or registered United States mail, first class postage prepaid, addressed to Purchaser at: _____ or addressed to GGFC and GGFL at the address stated above.

XV. No Assignment

If accepted, the agreement formed hereby is based on characteristics unique to Purchaser. Neither this Offer, when accepted by GGFC, nor any interest therein shall be assigned by Purchaser, GGFC or GGFL without the prior written consent of the others. Any purported assignment or assignment purporting to be by operation of law or otherwise, shall be null and void and of no effect.

EXECUTED this _____ day of _____, 20____, at _____, California.

PURCHASER:

The above offer is accepted on _____, 20__:

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Robert E. Mathews, Vice President

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member
GALARDI GROUP FRANCHISE & LEASING, INC.,
a California corporation

By: _____
Robert E. Mathews, Vice President

EXHIBIT "A"

PROMISSORY NOTE

\$ _____

Irvine, California _____, 20____

In installments as stated below, for value received, we/I, jointly and severally, promise to pay to GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company, or order, the sum of: _____ DOLLARS, (\$ _____) with interest from the _____ day of _____, 201____, on the unpaid principal at the rate of _____ percent (____%) per annum, principal and interest payable as follows:

_____ DOLLARS (\$ _____), or more, on the _____ day of each calendar month, starting on the _____ day of _____, _____, and continuing until the _____ day of _____, _____, on which date the entire unpaid balance of principal and interest shall be due and payable.

The holder may, at its option, declare the entire unpaid balance of this obligation immediately due and payable if any of the following events shall occur:

1. Default in the payment of any installment of this note for more than ten (10) days after the due date.
2. If the undersigned shall attempt or purport to alienate, sell, convey, assign, or sublease all or any part of its interest in Hamburger Stand Unit # ____ located at _____, including the following agreements and any amendments thereto pertaining to that Unit:
 - a. _____;
 - b. _____; and
 - c. _____.
3. Default of any terms or conditions of any written agreement between the holder hereof or affiliate of the holder and the undersigned, or affiliate of the undersigned including but not limited to the agreements described in paragraph 2 hereof.

The undersigned agree that default in payment of any installment of this note for more than ten (10) days after the due date shall constitute default in payment of rent pursuant to the Sublease described above and default in payment of the franchise service fee pursuant to the Franchise Agreement described above and shall entitle the holder to exercise the remedies in those agreements on account of default.

Payments, without offset or counterclaim, shall be made in lawful money of the United States of America at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618.

Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived.

In any action or proceeding brought by the holder to recover any part or all of the principal sum and/or interest hereunder, the holder shall be entitled to recover reasonable attorney's fees to be fixed by the court.

EXHIBIT D
SUBLEASE

UNIT # _____
SUBLEASE AGREEMENT

This Sublease Agreement (this "Sublease") is made as of the ____ day of _____, 20____, (the "**Effective Date**") by and between GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Sublandlord"), and _____, a _____ ("Subtenant").

RECITALS

A. _____, a _____ ("**Master Landlord**"), as "Landlord", and Sublandlord, as "Tenant", are parties to that certain lease dated as of _____, 20____ (as amended to date, the "**Master Lease**"), with respect to certain premises, and improvements thereon, located at _____, _____, _____, as more particularly described in the Master Lease (the "**Premises**").

B. Subtenant desires to sublease the Premises from Sublandlord and Sublandlord is willing to sublease the Premises to Subtenant, on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant covenant and agree as follows (capitalized terms used and not otherwise defined herein shall have the meaning given in the Master Lease):

1. Sublease. Subject to Master Landlord's consent as described hereinbelow, Sublandlord hereby leases to Subtenant and Subtenant hereby leases and hires from Sublandlord the Premises upon and subject to all of the terms, covenants, and conditions provided for herein. Subtenant acknowledges that it has received a copy of the Master Lease (with certain economic terms redacted) and that it has reviewed and understands the terms of the Master Lease.

2. Sublease Term; Delivery; Acceptance.

2.1 Term. The term of this Sublease (the "**Sublease Term**") shall be approximately _____ months, beginning on the date (the "**Commencement Date**") that Sublandlord delivers possession of the Premises to Subtenant, and ending at midnight on the last day of the _____ month thereafter (the "**Expiration Date**"). Sublandlord shall deliver possession of the Premises to Subtenant in accordance with Section 2.2.

2.2 Delivery of Premises. Sublandlord shall deliver possession of the Premises to Subtenant as soon as reasonably practicable after the Effective Date. If Sublandlord, for any reason whatsoever, is delayed in such delivery, such delay shall not be a default by Sublandlord, render this Sublease void or voidable, or otherwise render Sublandlord liable for losses or damages of any kind. However, Subtenant shall not be liable for any Rent until the Commencement Date

occurs. Notwithstanding anything in the Sublease to the contrary, Sublandlord shall have no obligation to deliver physical possession of the Premises to Subtenant until Subtenant has satisfied all of the following requirements (the “**Delivery Requirements**”): (i) delivered to Sublandlord evidence of the insurance coverage required of Subtenant herein; and (ii) paid all amounts then due under this Sublease. In no event shall Subtenant's failure to meet such requirements extend the Commencement Date, and Subtenant may be denied access to the Premises until such time that Delivery Requirements have been met.

2.3 Acceptance of Premises Subtenant has, prior to execution hereof, inspected the Premises and become thoroughly acquainted with their condition, and acknowledges and agrees that (i) Subtenant is subleasing the Premises based on its own investigation and in its "AS IS", "WHERE IS" and "WITH ALL FAULTS" condition, (ii) neither Sublandlord nor any agent or representative of Sublandlord has made any representations, warranties or assurances with respect to or related in any manner to the Premises. Subtenant hereby WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE CONDITION AND USE OF THE PREMISES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

3. Use of Premises; Tradename.

3.1 Use. Subtenant shall use and occupy the Premises only for a Hamburger Stand restaurant for the sale of such items as may from time to time be permitted in writing to be sold under the franchise granted to Subtenant by Sublandlord (or its related companies), all in accordance with applicable laws, codes, ordinances, rules, regulations and orders of federal, state and local governmental and public bodies and agencies having jurisdiction and any recorded covenants, conditions or restrictions (collectively, “Applicable Requirements”), and for no other use or purpose. Subtenant will conduct the operation of the Premises so as not to injure the reputation of either Sublandlord (or its related companies) or Subtenant and shall maintain the highest quality and standards, in providing services, and the sale of food, beverage and other products. Subtenant shall minimize cooking odors, smoke and waste, and maintain the highest degree of sanitation. Subtenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will increase the existing rate of or affect any fire or other insurance on the Premises or any of its contents, or cause cancellation of any insurance covering Premises or any part thereof or permit any nuisance in, on or about the Premises. Subtenant shall not commit or suffer to be committed any waste in or on the Premises.

3.2 Tradename. During the Sublease Term (as the same may be extended), Subtenant shall operate in the Premises only under the tradename “Hamburger Stand” and shall not operate under any other tradename, except as consented to by Sublandlord, or its related companies.

4. Rent.

4.1 General. Subtenant shall pay Sublandlord the sum of _____ Dollars (\$_____) as "**Minimum Annual Rent**", in advance, on or before the twentieth (20th) day of the month prior to the first full

calendar month in each lease year during the Sublease Term. The Minimum Annual Rent shall be increased annually as described in Exhibit A attached hereto.

4.2 Monthly Rent. For Subtenant's convenience, and provided Subtenant timely makes all payments, Sublandlord will allow Subtenant to pay the Minimum Annual Rent in twelve (12) equal and successive monthly installments, each due and payable in advance on the twentieth (20th) day of the month preceding the month for which it is due. However, if Subtenant does not timely pay a rent payment, Sublandlord shall have the right, exercisable at Sublandlord's option, to declare the unpaid balance of the current lease year's Minimum Annual Rent immediately due and payable and all successive Minimum Annual Rent shall be payable annually as provided above. If the Sublease Term starts or ends on a day other than the first day of a calendar month, then rent shall be prorated for such partial month based on a thirty (30) day month.

4.3 Percentage Rent.

(a) Amount. In addition to Minimum Annual Rent, Subtenant shall pay Sublandlord "**Percentage Rent**" in an amount equal to ten percent (10%) of Net Sales made by Subtenant during each calendar month, less the Minimum Annual Rent actually paid by Subtenant with respect to such calendar month. "Net Sales" shall mean the total sales of all food and other items, and any services at or originating from or connected to the Premises, but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority; amounts received from sales which Subtenant promptly refunds at a customer's request; tips paid by a customer to an employee of Lessee in cash or by credit card (if separately shown on the credit card invoice), to the extent actually paid to and retained by the employee; and any sum received on sale or transfer of the restaurant equipment and signs installed or used in Subtenant's operation of a Hamburger Stand restaurant at the Premises.

(b) Percentage Rent Documentation. Within seven (7) days after the end of each calendar month, starting on the sixth (6th) day of the first full calendar month after the Commencement Date, Subtenant shall provide Sublandlord a written statement, certified by Subtenant to be correct, showing the total Net Sales made in, on or from the Premises in the prior calendar month, and shall accompany each statement with payment to Sublandlord equal to ten percent (10%) of the total monthly Net Sales made in, on or from the Premises in the prior calendar month, less the Minimum Annual Rent actually paid by Subtenant with respect to such calendar month.

(c) Records and Review/Audit Rights. Subtenant shall keep full, complete and proper books, records and accounts of sales and Net Sales. The books, records and accounts, including any sales tax reports that Subtenant may be required to furnish to any government agency, shall at all reasonable times be open to inspection by Sublandlord or Sublandlord's auditor or other representative. Sublandlord may from time to time cause inspections or audits of Subtenant's business to be made by an auditor that Sublandlord selects. If the statement of Net Sales previously made by Subtenant to Sublandlord is found to be less than the amount of Subtenant's Net Sales as shown by the inspection or audit, Subtenant shall immediately pay the cost of the inspection or audit and the Percentage Rent shown to be due and payable.

4.4 Additional Rent. In addition to the Minimum Annual Rent and Percentage Rent, Subtenant shall pay to Sublandlord (or, as applicable, directly to the appropriate supplier of utilities or services) each and every amount owing by Sublandlord under or pursuant to the Master Lease, including but not limited to any common area maintenance costs, utilities, insurance, real and personal property taxes, and other operating costs (collectively, "**Additional Rent**"). Such payments shall be paid within ten (10) days' notice from Sublandlord that such payment(s) are due, except that recurring installments of Additional Rent shall each be due and payable in advance on the twentieth (20th) day of the month preceding the month for which it is due.

4.5 Rent Payment Matters. Minimum Annual Rent, Percentage Rent, Additional Rent, and all other charges payable by Subtenant to Sublandlord hereunder (except for the Security Deposit) are collectively referred to in this Sublease as "Rent". All Rent shall be paid by Subtenant in lawful money of the United States, at the times described herein, without delay for weekend or holiday, time being of the essence, and without any setoff, deduction or counterclaim, or prior demand therefor whatsoever. All Rent shall be paid directly to Sublandlord at its office at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618, or to such other person or place as Sublandlord may from time to time designate in a notice to Subtenant. Sublandlord shall have the right and option to require that some or all Rent be paid by ACH transfer, other similar form of electronic funds transfer, or any other means selected by Sublandlord. In that regard, Subtenant shall sign an "Authorization Agreement for Prearranged Transfer" in a form provided by Sublandlord and any other document Sublandlord requests to facilitate automatic/electronic payments from Subtenant's bank to Sublandlord. Any payment by Tenant or acceptance by Landlord of Rent in a lesser amount than due shall be treated as a payment on account. The acceptance by Sublandlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, that such lesser amount is payment in full, shall be given no effect, and Sublandlord may accept such check without prejudice to any other rights or remedies which Sublandlord may have against Subtenant. If any check for Rent shall not be honored by the bank on which it is drawn, Subtenant shall be obligated to pay a fee equal to \$500.00 per check to reimburse Sublandlord for its administrative costs. In addition, if on more than one (1) occasion during a lease year, any check for Rent shall not be honored by the bank on which it is drawn, Sublandlord may thereafter require that all future payments from Subtenant be made quarterly or annually, in advance, by certified check.

4.6 Late Charges and Interest. Any item or installment of Rent owing under this Sublease which is not paid by Subtenant within 10 days after the date due shall bear interest from the date due until paid at a rate per annum equal to the lesser of (i) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication H.15, published on the first Tuesday of each calendar month (or such other comparable index as Sublandlord and Subtenant shall reasonably agree upon if such rate ceases to be published) plus six (6) percentage points, and (ii) the highest rate permitted by applicable Law (the "**Interest Rate**"). Subtenant hereby acknowledges that in addition to lost interest, the late payment by Subtenant to Sublandlord of any item or installment of Rent will cause Sublandlord to incur other costs not contemplated in this Sublease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such other costs include, but are not limited to, processing, administrative and accounting costs. Accordingly, if any item or installment of Rent due from Subtenant shall not be received by Sublandlord within five (5) days after such amount shall be due, Subtenant shall pay to Sublandlord, without notice from Sublandlord, a late charge equal to ten percent (10%) of such

overdue amount plus any reasonable attorneys' fees incurred by Sublandlord by reason of Subtenant's failure to pay such Rent when due hereunder. The parties hereby agree that (i) such late charge represents a fair and reasonable estimate of the costs Sublandlord will incur in processing such delinquent payment by Subtenant, and (ii) the payment of late charges and the payment of interest are distinct and separate from one another in that the payment of interest is to compensate Sublandlord for the use of Sublandlord's money by Subtenant, while the payment of late charges is to compensate Sublandlord for the additional administrative expense incurred by Sublandlord in handling and processing delinquent payments. The late charge and interest hereunder shall be deemed Additional Rent and the right to require it shall be in addition to all of Sublandlord's other rights and remedies hereunder or at law and shall not be construed as limiting Sublandlord's remedies in any manner. Nothing contained in this Sublease shall be deemed to condone, authorize, sanction or grant to Subtenant an option for the late payment of any item or installment of Rent.

4.7 Sales/Rent Tax. If the applicable government authority(ies) require payment of sales or rent tax on any Rent or any other charges under this Sublease, Subtenant shall be responsible for such sales/rent tax and shall pay the same together with its installments of Minimum Annual Rent.

4.8 Maintenance Contracts. Subtenant shall maintain at its cost throughout the Sublease Term (including any extension thereof) a commercially reasonable maintenance contract with a qualified contractor reasonably acceptable to Sublandlord covering the dedicated HVAC system and equipment serving the Premises (the "Premises HVAC") and shall provide Sublandlord with a copy thereof upon request; provided, however, if the Premises HVAC from time to time requires a repair or replacement (in either case, herein called a "repair") that is not covered by the maintenance contract, then Subtenant will be responsible for such repair at Subtenant's sole cost. Subtenant shall also maintain such maintenance contracts for the Premises as may be required by the Master Lease or under Exhibit B attached hereto

4.9 Security Deposit. Upon the execution of this Sublease, Subtenant shall deliver to Sublandlord the amount of _____ Dollars (\$_____) as a security deposit (the "Security Deposit"), which shall be held by Sublandlord as security for the faithful performance by Subtenant of all of the terms, covenants and conditions of this Sublease to be kept and performed by Subtenant during the Sublease Term. If Subtenant defaults with respect to any provisions of this Sublease, including, but not limited to, the provisions relating to the payment of Rent, Sublandlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent in default, or for the payment of any other amount which Sublandlord may spend or become obligated to spend by reason of Subtenant's default or to compensate Sublandlord for any loss or damage which Sublandlord may suffer by reason of Subtenant's default. If any portion of the Security Deposit is so used or applied, Subtenant agrees, within ten (10) days after Sublandlord's written demand therefor, to deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to its original amount and Subtenant's failure to do so shall constitute a material default under this Sublease. If Subtenant has fully performed its obligations under this Sublease throughout the Sublease Term (as the same may be extended), the Security Deposit will be reimbursed to Subtenant within sixty (60) days after the end of the Sublease Term (as the same may be extended). Neither the Security Deposit nor the application thereof by Sublandlord, as provided in this Section shall be a bar or defense to any action in

unlawful detainer or to any action which Sublandlord may at any time commence for a breach of any provision of this Sublease. Sublandlord is not required to keep the Security Deposit separate from its general funds, and Subtenant is not entitled to interest on such Security Deposit. The parties agree that the foregoing provisions shall govern with respect to the Security Deposit and, accordingly, Subtenant hereby waives the provisions of any statutory provisions that conflict with the foregoing.

4.10 Direct Action. Subject to Master Landlord's prior written approval, Sublandlord shall have the right, but not the obligation, by written notice to Subtenant, to have Subtenant pay all or any portion of the amounts of Rent and/or other sums due and payable by Subtenant to Sublandlord under this Sublease directly to Master Landlord until such time as Sublandlord directs otherwise by written notice to Subtenant. Any such payment made by Subtenant to Master Landlord shall be deemed to have been made on behalf of Sublandlord.

5. Surrender of Premises. Upon the expiration of the Sublease Term or earlier termination of this Sublease, Subtenant shall: (a) surrender the Premises and any fixtures to Sublandlord in the condition required herein and by the Master Lease; and (b) repair any damage to the Premises caused by Subtenant, including, without limitation, damage occasioned by the removal of Subtenant's trade fixtures, furnishings, equipment and personal property. Notwithstanding anything to the contrary set forth in this Section 5 or elsewhere in this Sublease to the contrary, Subtenant shall in no event remove any permanently affixed improvements, fixtures or equipment from the Premises without Master Landlord's and Sublandlord's prior written consent.

6. Master Lease.

6.1 Incorporation of Master Lease Provisions. Except to the extent that this Sublease clearly indicates otherwise (and subject to Section 8 of this Sublease, below), all terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublandlord were the "Landlord" thereunder, Subtenant the "Tenant" thereunder, the Sublease Commencement Date the commencement date thereunder, the Sublease Term thereunder, and so on. Subtenant hereby assumes and agrees to perform Sublandlord's obligations as "Tenant" under the incorporated provisions of the Master Lease during the Sublease Term. With regard to any non-monetary provision of the Master Lease incorporated into this Sublease, except as otherwise expressly provided herein, the period of time provided for notices, and for the cure of any default by Subtenant of any non-monetary obligations of Subtenant under the terms of the Master Lease incorporated into this Sublease, shall be shortened by ten (10) days from the cure period for such type of default afforded to Sublandlord under the Master Lease; and Sublandlord may (but shall have no obligation to) cure any such default by Subtenant to the extent that Subtenant has not cured within the applicable time period. Subtenant shall name Master Landlord and its designees as additional insured under the insurance policies required to be carried by Subtenant pursuant to the incorporation of the insurance paragraphs of the Master Lease.

6.2 Master Lease Superior. This Sublease is subject and subordinate to the Master Lease; provided that as between Sublandlord and Subtenant only, (A) in the event of a direct conflict between the economic terms of the Master Lease and the economic terms of this Sublease, the economic terms of this Sublease will control, and (B) in the event of a direct conflict

between the non-economic terms of the Master Lease and the non-economic terms of this Sublease, whichever imposes the strictest obligations on Subtenant will control. Subtenant covenants not to take any action or do or perform any act or fail to perform any act which would result in the breach or default of any of the covenants, agreements, terms, provisions or conditions of the Master Lease, and shall permit Master Landlord or its designees to exercise all access, inspection, testing and other rights with respect to the Premises as Master Landlord may have reserved in the Master Lease.

7. Utilities; Alterations and Improvements; Maintenance.

7.1 Utilities. Subtenant shall be responsible and shall pay for, directly to the appropriate supplier, all utilities and services provided to the Premises or used by Subtenant at the Premises, including any taxes or surcharges thereon. If any utilities payable by Subtenant are not metered or submetered to the Premises, Sublandlord shall pay Sublandlord's share of the amount for such utilities as required by the Master Lease, and Subtenant shall reimburse Sublandlord within ten (10) days after Subtenant's receipt of Sublandlord's statement or invoice therefor.

7.2 Alterations and Improvements. In addition to the terms and conditions of the Master Lease incorporated as part of this Sublease, if the consent of Master Landlord is required under the Master Lease for any alterations, improvements, repairs or for any other matters, Subtenant shall not undertake any such alterations, improvements or other matters until both Sublandlord's and Master Landlord's consent is obtained.

8. No Liability for Performance by Master Landlord. In addition to the terms and conditions of the Master Lease incorporated as part of this Sublease, Subtenant shall perform the maintenance requirements on the terms set forth on Exhibit B attached hereto.

8.1 No Assumption of Master Landlord Obligations. Sublandlord does not assume the obligations of Master Landlord under any of the provisions of the Master Lease, whether or not incorporated into this Sublease, and shall not be liable to Subtenant for the performance of Master Landlord under the Master Lease or for any other act or omission by Master Landlord or any of its or its tenants' officers, agents, employees, contractors, invitees or licensees, and Sublandlord shall have no obligation to cure any default by Master Landlord under the Master Lease. Without limitation on the foregoing, and notwithstanding the incorporation of any of the Master Lease provisions into this Sublease, Sublandlord shall have no obligation or liability to Subtenant with respect to (i) any of Master Landlord's obligations with respect to work, construction, provision of services, utilities, repairs, reconstruction, rebuilding, provision of utilities, parking, maintenance of the Premises, repainting, restoration, security, access, compliance with Applicable Requirements or the performance of any obligations of Master Landlord under the Master Lease or (ii) the failure of Sublandlord to perform any obligation under this Sublease to the extent such failure is caused by the breach of the Master Lease by Master Landlord or wrongful act or omission of Master Landlord.

8.2 Reasonable Efforts Obligations. Notwithstanding the foregoing, within a reasonable period after Subtenant gives Sublandlord written notice of the occurrence of any breach or failure by Master Landlord (including, without limitation, any breach or failure of Master Landlord to comply with the provisions of the Master Lease regarding the determination of

Operating Expenses), Sublandlord shall undertake commercially reasonable efforts to attempt to cause Master Landlord to perform its obligations under the Master Lease (the "Reasonable Efforts Obligations"), but in no event shall Sublandlord be required to institute legal action against Master Landlord. Subtenant hereby waives any action, claim or rights it may have or acquire at law or in equity against Sublandlord arising out of the breach or failure of Master Landlord to fulfill its obligations under the Master Lease or any act or omission of Master Landlord or Master Landlord's agents, employees, contractors, representatives, licensees or invitees.

9. Signage. Subject to the terms of the Master Lease and Master Landlord's prior written approval, and subject to Sublandlord's prior written approval (which shall not be unreasonably withheld), Subtenant shall be entitled, at Subtenant's sole cost and expense, to use the areas for signage, if any, for the Master Premises allocated to Sublandlord under the Master Lease, provided that without Sublandlord's prior written consent only signage identifying the Subtenant as a Hamburger Stand restaurant shall be permitted. Any such signage shall be removed (and all damage repaired) by Subtenant at Subtenant's cost prior to the end of the Sublease Term.

10. Assignment and Subletting. Subtenant shall not assign this Sublease or license, franchise, transfer, mortgage, encumber, sublease, permit the use by third parties of or otherwise transfer (a "**Transfer**") all or any portion of the Premises without Sublandlord's prior written consent, which may be withheld by Sublandlord in its sole discretion. In addition to needing to obtain Sublandlord's prior written consent to a proposed Transfer pursuant to the foregoing, Subtenant must obtain the consent of Master Landlord to any proposed Transfer, which Master Landlord may withhold in its sole discretion, and Sublandlord shall have no obligation or liability with respect to Master Landlord's consent or the lack thereof or actions taken by Master Landlord in response thereto. Any attempted Transfer without the consent of both Sublandlord and Master Landlord, shall confer no rights upon any third parties and shall be a material default hereunder. A transfer or change in the ownership interests in Subtenant that results in a change in control of Subtenant, and the involvement by Subtenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise) whether or not a formal assignment or hypothecation of this Sublease or Subtenant's assets occurs, which results or will result in a reduction of the Net Worth (hereinafter defined) of Subtenant by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Subtenant as it is represented to Sublandlord at the time of the execution by Sublandlord of this Sublease, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time the Net Worth of Subtenant was or is greater, shall be considered to be a Transfer for purposes of this Section 10. "**Net Worth**" of Subtenant for purposes of this Section 10 shall be the tangible net worth of Tenant (excluding any guarantors) established under generally accepted accounting principles consistently applied.

11. Holdover. This Sublease shall terminate without further notice upon the expiration of the Sublease Term (including as it may be extended), and any holding over by Subtenant after the expiration shall not constitute a renewal or extension of this Sublease, or give Subtenant any rights under this Sublease, except when in writing signed by both parties. If Subtenant holds over for any period after the expiration (or earlier termination) of the Term without the prior written consent of Sublandlord, such possession shall constitute a tenancy at sufferance only; such holding over with the prior written consent of Sublandlord shall constitute a month to month tenancy commencing on the first (1st) day following the termination of this Sublease. In either of such

events, possession shall be subject to all of the terms of this Sublease, except that the monthly Rent shall be the greater of (a) two hundred percent (200%) of Rent for the month immediately preceding the date of termination or (b) the then current fair market rent for the Premises. If Subtenant fails to surrender the Premises upon the expiration of this Sublease despite demand to do so by Sublandlord, Subtenant shall indemnify and hold Sublandlord harmless from all loss or liability, including without limitation, any claims made by any succeeding tenant relating to such failure to surrender. Acceptance by Sublandlord of Rent after the termination shall not constitute a consent to a holdover or result in a renewal of this Sublease. The foregoing provisions of this Section are in addition to and do not affect Sublandlord's right of re-entry or any other rights of Sublandlord under this Sublease or at law.

12. Security. Sublandlord shall have no obligation or responsibility to provide any security services or security measures with respect to the Premises, and Subtenant waives any claims against Sublandlord with respect thereto.

13. Access. Subtenant shall permit Sublandlord and Sublandlord's agents to enter into and on the Premises at all reasonable times to inspect, insure compliance with the Franchise Agreement relating to the Premises and this Sublease, or otherwise for the purpose of maintaining the Premises, or for repairs, alterations or additions to any portion of the Premises, including the erection and maintenance of scaffolding, canopy, fences and props as may be required, or to post notices of non-liability for alterations, additions or repairs. Sublandlord shall be permitted to do any of the above without any rebate or reduction of rent and without liability to Subtenant for any loss of occupation or quiet enjoyment of the Premises.

14. Notices. Any notice, demand, consent or approval, request or other communication or document to be provided pursuant to this Sublease shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, or by personal delivery during normal business hours with evidence of delivery requested, with all postage and fees prepaid, to Sublandlord, Subtenant or Master Landlord, respectively, at the following addresses, or at such other address as such party shall designate by written notice to the other party. Such addresses are:

To Subtenant:

_____, ____
Attn: _____

To Sublandlord:

Galardi Group Franchising & Leasing, LLC
7700 Irvine Center Drive, Suite 550
Irvine, CA 92618
Attention: Legal

To Master Landlord:

Attention: _____

Such notices shall be deemed to have been received and to be effective for all purposes upon receipt or refusal to accept delivery at such address as indicated on the return receipt or other record of delivery. In addition, Sublandlord and Subtenant shall, respectively, promptly give written notice to the other of any notice of default it may give to or receive from Master Landlord under the Master Lease pertaining to the Premises.

15. Indemnity; Waiver of Claims.

15.1 Indemnity. Subtenant shall indemnify, protect, defend and hold harmless Sublandlord and Sublandlord's officers, directors, partners and affiliates from and against any and all claims, losses and damages, including, without limitation, reasonable attorneys' fees and disbursements (collectively, "claims"), which may at any time be asserted against Sublandlord by (i) Master Landlord for failure of Subtenant to perform any of the covenants, agreements, terms, provisions or conditions contained in the Master Lease which by reason of the provisions of this Sublease Subtenant is obligated to perform, or (ii) any person by reason of Subtenant's use and/or occupancy of the Premises or any activity or thing done by Subtenant or its agents, employees, contractors, invitees, assigns, subtenants or guests in or about the Premises or Building. Notwithstanding the preceding, Subtenant will not be required to indemnify Sublandlord against claims arising solely from the gross negligence or willful misconduct of Sublandlord. The provisions of this Section 15 shall survive the expiration or earlier termination of this Sublease.

15.2 Waiver of Claims. Sublandlord shall not be liable to Subtenant, and Subtenant waives all claims against Sublandlord, for any injury or damage to any person or property in or about the Premises by or from any cause whatsoever and, without limiting the generality of the foregoing, whether caused by water leakage of any character from the roof, walls, basement or other portion of the Premises, or caused by gas, fire, oil, electricity or any cause whatsoever in, on or about the Premises or any part thereof.

16. Default by Subtenant.

16.1 Events of Default. Any of the following constitutes a material breach of this Sublease by Subtenant ("**Default**"): (i) Subtenant fails to pay any monetary obligation for a period of three (3) days after notice from Sublandlord; or (ii) Subtenant fails to perform any other obligation of the Sublease for more than a reasonable time (not exceeding ten (10) days) after Sublandlord delivers notice to Subtenant (unless the failure complained of, other than a failure for the payment of money, cannot be cured within such ten (10)-day period, then Subtenant shall not be considered to be in Default of the Sublease so long as it commences to cure the Default within such ten (10)-day period and thereafter diligently and continuously prosecutes the cure to completion, but not more than sixty (60) days); or (iii) Subtenant vacates or abandons the Premises; or (iv) Subtenant makes a general assignment for the benefit of creditors; or (v) attachment or judicial seizure of substantially all of Subtenant's assets located at the Premises or Subtenant's interest in this Sublease (where the seizure is not discharged within thirty (30) days); or (vi) Subtenant or any guarantor fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; or (vii) any financial statements given to Sublandlord by Subtenant, any assignee of Subtenant, any guarantor, or any transferee of Subtenant are materially false or misleading; or (viii) Subtenant or any guarantor of this Sublease declares bankruptcy or is otherwise declared insolvent; or (ix)

Subtenant or any of its principals or affiliates defaults in the performance of any obligation, covenant, condition or provision under any other agreement between Subtenant (or any principal or affiliate of Subtenant) with Sublandlord (or any principal or affiliate of Sublandlord), including without limitation any franchise agreement, equipment lease, promissory note, or any other agreement relating to the Premises (the "**Other Agreements**"), where such default continues beyond applicable notice and cure periods (if any) set forth in the applicable Other Agreement(s). In addition to all other rights or remedies of Sublandlord set forth in this Sublease, if a Default occurs, Sublandlord shall have all rights available to Sublandlord as may be permitted from time to time by the laws of the State in which the Premises are located, without further notice or demand to Subtenant. In any case in which Sublandlord re-enters and occupies the Premises, by unlawful detainer proceedings or otherwise, Sublandlord, at its option, may repair, alter, subdivide or change the character of the Premises as Sublandlord deems best, re-let all or any part of the Premises and receive the rents therefor, and none of these actions shall constitute a termination of this Sublease, a release of Subtenant from any liability, or result in the release of any guarantor. Any notice given by Sublandlord pursuant to this Section 16.1 shall be in lieu of, and not in addition to, any notice required by any statute.

16.2 Sublandlord's Remedies.

(a) Upon the occurrence of any Default by Subtenant, then in addition to any other remedies available to Sublandlord, Sublandlord may exercise the following remedies:

(i) Sublandlord may terminate Subtenant's right to possession of the Premises by any lawful means, in which case this Sublease shall terminate and Subtenant shall immediately surrender possession of the Premises to Sublandlord. Such termination shall not affect any accrued obligations of Subtenant under this Sublease. Upon termination, Sublandlord shall have the right to reenter the Premises and remove all persons and property. Sublandlord shall also be entitled to recover from Subtenant:

(1) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such loss that Subtenant proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such loss that Subtenant proves could be reasonably avoided;

(4) Any other amount necessary to compensate Sublandlord for all the detriment proximately caused by Subtenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result from Subtenant's Default, including, but not limited to, the cost of recovering possession of the Premises, commissions and other expenses of reletting, including necessary repair, renovation, improvement and alteration of the Premises for a new tenant (to the extent attributable to what would have been the unexpired term), reasonable attorneys' fees, and any other reasonable costs; and

(5) At Sublandlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. Any sum, other than Base Rent, shall be computed on the basis of the average monthly amount accruing during the period prior to Default. As used in subparagraphs (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of 10% per annum. As used in subparagraph (3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(ii) Sublandlord may elect not to terminate Subtenant's right to possession of the Premises, in which event Sublandlord may continue to enforce all of its rights and remedies under this Sublease, including the right to collect all rent as it becomes due. Efforts by the Sublandlord to maintain, preserve or re-let the Premises, or the appointment of a receiver to protect the Sublandlord's interests under this Sublease, shall not constitute a termination of the Subtenant's right to possession of the Premises. In the event that Sublandlord elects to avail itself of the remedy provided by this subsection (ii), Sublandlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Sublandlord's consent as are contained in this Sublease.

(b) The various rights and remedies reserved to Sublandlord in this Sublease or otherwise shall be cumulative and, except as otherwise provided by applicable law, Sublandlord may pursue any or all of its rights and remedies at the same time. No delay or omission of Sublandlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any breach or Default by Subtenant. The acceptance by Sublandlord of Rent shall not be a (i) waiver of any preceding breach or Default by Subtenant of any provision of this Sublease, other than the failure of Subtenant to pay the particular Rent accepted, regardless of Sublandlord's knowledge of the preceding breach or Default at the time of acceptance of Rent, or (ii) a waiver of Sublandlord's right to exercise any remedy available to Sublandlord by virtue of the breach or Default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Subtenant or Subtenant's estate shall not waive or cure a Default. No payment by Subtenant or receipt by Sublandlord of a lesser amount than the Rent required by this Sublease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Sublandlord shall accept the check or payment without prejudice to Sublandlord's right to recover the balance of the rent or pursue any other remedy available to it. Subtenant hereby waives any right of redemption or relief from forfeiture under any statute, in the event this Sublease is terminated by reason of any Default by Subtenant. No act or thing done by Sublandlord or Sublandlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Sublandlord. No employee of Sublandlord or of Sublandlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Sublease, and the delivery of the keys to any agent or employee shall not operate as a termination of the Sublease or a surrender of the Premises.

16.3 Right of Sublandlord to Perform. Notwithstanding any other term or provision of this Sublease, if after the delivery of written notice to Subtenant and the expiration of

any applicable cure period, Sublandlord performs work in lieu of or on behalf of Subtenant or if Sublandlord pays any charges on behalf of Subtenant (each of which Sublandlord shall have the right, but not the obligation, to do), then in addition to the costs incurred by Sublandlord to perform such work or pay such charges, Subtenant shall pay to Sublandlord a fee equal to fifteen percent (15%) of the amount so incurred by Sublandlord as reimbursement of Sublandlord's estimated costs of Sublandlord's actions.

17. Expenses and Legal Fees. Should either Sublandlord or Subtenant bring any action in connection with this Sublease which results in a judgment or an award, the prevailing party shall be entitled to recover as a part of the action (including any appeal therefrom) its reasonable attorneys' fees, and all other reasonable costs. The prevailing party for the purpose of this Section 17 shall be determined by the trier of the facts.

18. Satisfaction of Judgment. The obligations of Sublandlord do not constitute the personal obligations of the individual partners, trustees, directors, officers, members or shareholders of Sublandlord or any of its affiliates. Should Subtenant recover a money judgment against Sublandlord, such judgment shall be satisfied only from the interest of Sublandlord in the Premises and out of the rent or other income from such property receivable by Sublandlord, and no action for any deficiency may be sought or obtained by Subtenant.

19. Security Interest. As further security for Subtenant's performance under this Sublease, Subtenant hereby grants Sublandlord a lien and security interest in all existing and after-acquired fixtures, equipment and furnishings placed in or relating to Subtenant's business at the Premises, and all proceeds thereof. Subtenant agrees to execute such financing statements, collateral assignments, and other documents necessary to perfect a security interest, as Sublandlord may now or hereafter reasonably request, in recordable form. Sublandlord may at its election at any time execute such a financing statement and collateral assignment as Subtenant's agent and attorney-in-fact or file a copy of this Sublease or a UCC-1 as such financing statement and collateral assignment. Sublandlord shall be entitled hereunder to all of the rights and remedies afforded a secured party under the Uniform Commercial Code or other applicable law in addition to any of Sublandlord's rights provided by applicable law.

20. No Brokers. Subtenant warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Sublease, and shall indemnify, protect, defend and hold Sublandlord and the Premises harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by Subtenant in connection with the negotiation of this Sublease. If Subtenant fails to take possession of the Premises or if this Sublease otherwise terminates prior to the Expiration Date as the result of a Default by Subtenant, Sublandlord shall be entitled to recover from Subtenant the unamortized portion of any brokerage commission funded by Sublandlord in addition to any other damages to which Sublandlord may be entitled. This Section 20 shall survive the termination of this Sublease.

21. Transfer of Sublandlord's Interest. In the event of any transfer of Sublandlord's interest in the Premises, the transferor shall be automatically relieved of all obligations on the part of Sublandlord accruing under this Sublease from and after the date of the transfer, provided that

any funds held by the transferor in which Subtenant has an interest shall be turned over, subject to that interest, to the transferee and Subtenant is notified of the transfer as required by law. No holder or beneficiary of a mortgage or deed of trust to which this Sublease is or may be subordinate, and no landlord under a so-called sale leaseback, shall be responsible in connection with the Security Deposit, unless the mortgagee or holder or beneficiary of the deed of trust or the landlord actually receives the Security Deposit. It is intended that the covenants and obligations contained in this Sublease on the part of Sublandlord shall, subject to the foregoing, be binding on Sublandlord, its successors and assigns, only during and in respect to their respective successive periods of ownership.

22. Nondisclosure of Sublease Terms. Subtenant acknowledges and agrees that the terms of this Sublease are confidential and constitute proprietary information of Sublandlord. Disclosure of any of such terms or identities could adversely affect the ability of Sublandlord to negotiate other leases and impair Sublandlord's relationship with other subtenants. Accordingly, Subtenant agrees that it shall not disclose, by public filings or otherwise, the terms and conditions of this Sublease ("**Confidential Information**") to any third party, either directly or indirectly, without the prior written consent of Sublandlord, which consent may be given or withheld in Sublandlord's sole and absolute discretion. The foregoing restriction shall not apply to disclosures by Subtenant to Subtenant members, officers, directors, administrators, financial, legal, and space planning consultants or lenders, on a "need to know" basis (i.e., to the extent necessary to discharge their obligations to Subtenant) who agree to be bound by these confidentiality provisions, or to the extent that either: (i) Subtenant is required to disclose the Confidential Information in response to a subpoena or other regulatory, administrative or court order, or (ii) independent legal counsel to Subtenant delivers a written opinion to Sublandlord that Subtenant is required to disclose the Confidential Information to, or file a copy of this Sublease with, any governmental agency or any stock exchange; provided however, that in such event, Subtenant shall, before making any such disclosure (A) provide Sublandlord with prompt written notice of such required disclosure, (B) at Subtenant's sole cost, take all reasonable legally available steps to resist or narrow such requirement, including without limitation preparing and filing a request for confidential treatment of the Confidential Information and (C) if disclosure of the Confidential Information is required by subpoena or other regulatory, administrative or court order, Subtenant shall provide Sublandlord with as much advance notice of the possibility of such disclosure as practical so that Sublandlord may attempt to stop such disclosure or obtain an order concerning such disclosure. The form and content of a request by Subtenant for disclosure of the Confidential Information shall be provided to Sublandlord at least five (5) business days before its submission to the applicable governmental agency or stock exchange and is subject to the prior written approval of Sublandlord. Any press releases or announcements made by Subtenant in connection with the contents of this Sublease and/or any related documents shall be subject to the prior approval of Sublandlord, which may be withheld in Sublandlord's sole discretion.

23. CASp Civil Code Disclosure. Pursuant to California Civil Code § 1938, Sublandlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist ("CASp") (defined in California Civil Code §55.52(a)(3)). Pursuant to California Civil Code §1938, Sublandlord hereby provides the following notification to Subtenant: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the

commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction related accessibility standards within the premises." If Subtenant requests to perform a CASp inspection of the Premises, Subtenant shall, at its cost, retain a CASp approved by Sublandlord (provided that Sublandlord may designate the CASp, at Sublandlord's option) to perform the inspection of the Premises at a time agreed upon by the parties. Subtenant shall provide Sublandlord with a copy of any report or certificate issued by the CASp (the "CASp Report") and Subtenant shall, at its cost, promptly complete any modifications necessary to correct violations of construction related accessibility standards identified in the CASp Report, which modifications will be completed as may be provided in this Sublease. Subtenant shall keep the information in the CASp Report confidential in accordance with the confidentiality provisions set forth in this Sublease.

24. Entire Agreement. This Sublease contains the entire agreement of the parties with respect to the matters set forth herein, except for those terms and conditions incorporated herein by reference. No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties, and all prior negotiations, discussions, understandings, representations and agreements are merged herein and superseded hereby. Sublandlord represents that there are no other contemporaneous agreements or understandings between the parties that are not stated herein. No officer or employee or agent of Sublandlord has authority to make any representation or promise not stated in this Sublease. Sublandlord agrees that Sublandlord executed this Sublease without reliance on any representation or promise not stated herein. This Sublease cannot be modified except by a written instrument signed by all the parties to this Sublease.

25. Successors and Assigns. The provisions in this Sublease shall, subject to provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

26. Severability. If any provision, term or condition of this Sublease is declared by a court having jurisdiction to be invalid, the invalidity shall not affect any other provision, term or condition of this Sublease, and the rest of this Sublease shall be effective as though the invalid provision, term or condition had not been contained herein.

27. Attorneys' Fees. In the event of any legal action or proceeding to enforce the terms of this Sublease (including any appeal therefrom), the prevailing party shall be entitled to recover its actual attorneys' fees, costs and expenses reasonably incurred. If Sublandlord shall be made a party to any litigation commenced by or against Subtenant, Sublandlord shall be entitled to costs of litigation and reasonable attorney's fees from Subtenant in addition to other relief to which Sublandlord may be entitled in that action.

28. Casualty Proceeds, Condemnation Awards; Further Assurances. Notwithstanding anything contained in the Master Lease to the contrary, as between Sublandlord and Subtenant only, all insurance proceeds or condemnation awards received by Sublandlord under the Master Lease (excluding, however, any proceeds or awards for any personal property owned by Subtenant and located in the Premises) shall be deemed to be the property of Sublandlord. After the execution

and delivery hereof, Sublandlord and Subtenant shall from time to time at the reasonable request of the other and at the cost and expense of the requesting party, execute and deliver such other instruments and take such other actions as the requesting party may reasonably request in order to fully consummate the transactions contemplated by this Sublease.

29. Consent. When consent or approval of either Sublandlord or Subtenant is required by any provision of this Sublease, or of the Master Lease to the extent incorporated herein, Subtenant shall not take or omit to take any action requiring the consent of Master Landlord, any other third party under the Master Lease, or Sublandlord, without first obtaining such consent in accordance with the terms hereof and the Master Lease. Upon request of Subtenant, Sublandlord will request Master Landlord's consent to any action or omission of Subtenant for which such consent is required. Sublandlord and Subtenant acknowledge that the Master Lease may require that Sublandlord obtain the written consent of Master Landlord to any subletting of the Premises. Sublandlord agrees to diligently pursue obtaining such written consent from Master Landlord with respect to this Sublease, and Subtenant agrees to fully cooperate with Sublandlord in that regard, including, without limitation, providing Sublandlord and Master Landlord with such information as Sublandlord may be reasonably required to provide Master Landlord under the Master Lease in connection with Master Landlord's evaluation of subtenants. Sublandlord shall not be liable in any respect if Master Landlord fails or is unwilling to provide its consent.

30. Remedies Cumulative. A remedy in this Sublease or otherwise available or reserved to Sublandlord shall not be exclusive of any other remedies. Each remedy shall be cumulative and shall be additional to every other remedy of Sublandlord under this Sublease or now or hereafter existing at law or in equity by laws, statutes, ordinances and government rules and regulations. Each remedy may be exercised from time to time, as often as occasions may arise or as Sublandlord deems expedient.

31. Waiver. Waiver by Sublandlord of any term, covenant or condition in this Sublease shall not be a waiver of a prior or later breach of the same or any other term, covenant or condition. Subsequent acceptance of rent by Sublandlord shall not be a waiver of any prior breach by Subtenant of any term, covenant or condition, other than the failure of Subtenant to pay the particular rent so accepted, regardless of Sublandlord's knowledge of the prior breach at the time of acceptance of the rent. Delay by Sublandlord to exercise any right or power arising from Subtenant's breach of any term, covenant or condition in this Sublease shall not impair any such right or power or be construed to waive any such breach of any other term, covenant or condition.

32. Relationship. By this Sublease, Sublandlord does not acquire any right, title or interest in or to any property of Subtenant except rights expressly stated in the Sublease. Sublandlord is not and never shall be liable to any creditor of Subtenant or to any claimant against the estate or property of Subtenant for any debt, loss, contract or other obligation of Subtenant. The parties' relationship is solely that of Sublandlord and Subtenant, and is not and never shall be deemed a partnership or joint venture.

33. Net Sublease. Except as otherwise expressly set forth in this Sublease or in the Other Agreements: (i) all costs, expenses and obligations of every kind and nature whatsoever arising from or with respect to the use and occupancy of the Premises and the appurtenances thereto by Subtenant or anyone claiming by, through or under Subtenant which may arise or become due

during or with respect to the Sublease Term shall be paid and performed by Subtenant, (ii) Subtenant assumes, during the Sublease Term, the sole responsibility for the condition, use, operation, maintenance and management of the Premises, and (iii) Subtenant's obligations hereunder shall be unconditional and irrevocable under any and all circumstances, and shall not be subject to cancellation, termination, modification or repudiation by Subtenant.

34. Time. Time is of the essence of this Sublease and each and all of its provisions.

[Signature Page Follows]

IN WITNESS WHEREOF, this Sublease is executed as of the date first written above.

SUBLANDLORD:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: GALARDI GROUP FRANCHISE & LEASING, INC.,
a California corporation, its Managing Member

By: _____
Vice President

SUBTENANT:

_____,
a _____

By: _____
Name: _____
Title: _____

EXHIBIT A

COST OF LIVING ADJUSTMENT

On each anniversary of the Commencement Date (i.e., on each _____ during the Term after the Commencement Date) (each such date is referred to as a "**Base Rent Adjustment Date**"), the Minimum Annual Rent in effect immediately prior to the applicable Base Rent Adjustment Date shall be increased (which increase shall remain in effect for that month and each month thereafter until the next Base Rent Adjustment Date) by the greater of (i) two point five percent (2.5%), and (ii) the percentage increase in the Index (as defined below) from the Index published for the month that is thirteen (13) calendar months prior to such Base Rent Adjustment Date to the Index published for the month that is one (1) calendar month prior to the applicable Base Rent Adjustment Date.

As used hereinabove, "**Index**" means the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Wage Earners and Clerical Workers, U.S. City Average, Subgroup "All Items" (1982-84=100). If the foregoing Index is not available, then the successor or substitute index published by the Bureau of Labor Statistics shall be used by Sublandlord as the Index. If the Bureau of Labor Statistics does not publish such successor or substitute index, a reliable governmental or other non-partisan publication evaluating substantially the same consumer information shall be used by Sublandlord for the Index. If Sublandlord uses any substitute or successor index or other publication, the same shall be converted to a basis of 100 if the basis used for such other index or publication is less than 100.

MAINTENANCE EXHIBIT

- B-1

- 3. Check time clock on walk-in freezer compressor for proper "time of day" setting.
 - 4. Replace door panels.
- K. EXHAUST SYSTEMS - GRILLS/FRYERS:
 - 1. Systems running.
 - 2. Remove assembly; check fan belts; if off or frayed, replace.
 - 3. Empty and clean drip trays.
- L. AIR CONDITIONER:
 - 1. Downstairs thermostat settings at 78 & 68 degrees.
 - 2. Check breaker system (running).
 - 3. Replace filters.
- M. PORTABLE HAND FIRE EXTINGUISHERS (KITCHEN, BACKROOM, DINING ROOM, UPSTAIRS):
 - 1. Check indicator dial for full charge.
 - 2. If not charged call for service (Master Fire Protection).
- N. ENERGY MANAGEMENT SYSTEM(S):
 - 1. Check program clock monthly to insure correct

EXHIBIT E
EQUIPMENT LEASE

EQUIPMENT LEASE

This EQUIPMENT LEASE (this "Lease") is made and entered into as of the ____ day of _____, 20____, by and between GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Lessor"), and _____ ("Lessee").

RECITALS

A. Lessee desires to lease from Lessor all furniture, fixtures, signs and equipment listed on attached Exhibit "A" and in any subsequent modification by Lessor and Lessee to attached Exhibit "A" incorporating the terms of this Lease (collectively, the "Equipment") on the terms and conditions set forth herein.

B. Lessor is willing to lease the Equipment to Lessee on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Lease Agreement and Term. Lessor hereby leases to Lessee and Lessee hereby leases and hires from Lessor the Equipment for a term (the "Term") commencing on _____, 20____ (the "Commencement Date") and ending on _____, 20__ (the "Expiration Date").

2. Rent. Lessee shall pay Lessor as rent for the Equipment, the following amounts:

(i) On or before the seventh (7th) day of each calendar month during the Term, a sum equal to _____ percent (____%) of Net Sales (as defined below) for the prior calendar month (the "Net Sales Rent"); and

(ii) On the Commencement Date, and on or before the first (1st) day of each calendar month thereafter during the Term, the amount of \$_____ Dollars (prorated for any partial month) (the "Point of Sale Rent"). The Point of Sale Rent constitutes additional payments due to Lessor for point of sale and related sales reporting Equipment. .

As used herein, the term "Net Sales" means total sales of all food and other items, and any services at or originating from or connected to the Premises (as defined below), but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority, uncollected cash register over-rings, amounts received from sales which Lessee promptly refunds at a customer's request, and tips paid by a customer to an employee of Lessee in cash or by credit card (if separately shown on the credit card invoice), to the extent actually paid to and retained by the employee.

Lessee shall record in writing all sales made on the Premises and shall furnish Lessor a reasonably detailed statement of sales and Net Sales (and showing all deductions) for each month, with such statement to be furnished on or before the seventh (7th) day of the following month, and certified by Lessee to be true and accurate.

Lessor shall have the right and option to require that all Net Sales Rent and/or the Point of Sale Rent and/or any other amounts payable by Lessee to Lessor pursuant to this Lease (collectively, "Rent") be paid by ACH transfer, other form of electronic funds transfer, or any other means selected by Lessor, in which event Lessee shall sign Lessor's Authorization Agreement for Prearranged Transfer and/or other document Lessor requests to facilitate such electronic transfer payments from Lessee's bank to Lessor.

Exhibit E

3. Security Deposit. Lessee shall concurrently with the execution and delivery of this Lease deposit with Lessor the sum of _____ Dollars (\$_____) (the "Security Deposit"), which shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants and conditions of this Lease to be kept and performed by Lessee during the Term. If Lessee defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of any Rent, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent in default, or for the payment of any other amount which Lessor may spend or become obligated to spend by reason of Lessee's default or to compensate Lessor for any loss or damage which Lessor may suffer by reason of Lessee's default. If any portion of the Security Deposit is so used or applied, Lessee agrees, within ten (10) days after Lessor's written demand therefor, to deposit cash with Lessor in an amount sufficient to restore the Security Deposit to its original amount and Lessee's failure to do so shall constitute a material default under this Lease. Any such application by Lessor shall not be a defense to any claim by Lessor arising out of the default. If Lessee has fully performed its obligations under this Lease throughout the Term (as the same may be extended), the Security Deposit will be reimbursed to Lessee within sixty (60) days after expiration of the Term (as the same may be extended). Neither the Security Deposit nor the application thereof by Lessor, as provided in this Section shall be a bar or defense to any action which Lessor may at any time commence for a breach of any provision of this Lease. Lessor is not required to keep the Security Deposit separate from its general funds, and Lessee is not entitled to interest on such Security Deposit. The foregoing provisions shall govern with respect to the Security Deposit and, accordingly, Lessee hereby waives the provisions of any statutory provisions that conflict with the foregoing.

4. Location. The Equipment shall at all times be located only at Wienerschnitzel Store No. _____, located at _____ (the "Premises").

5. Use. Lessee shall cause the Equipment to be used carefully and properly by competent and qualified personnel, in accordance with the applicable vendor's or manufacturer's manual of instructions. Lessee shall comply and conform with all federal, state and local laws, ordinances, and regulations in Lessee's possession, use, and maintenance of the Equipment. Lessee shall affix labels to the Equipment conspicuously noting the Equipment is owned by Lessor. Lessee shall cause the Equipment to remain at all times personal property and shall not affix any of the Equipment to the Premises in such a manner that material damage to the Premises would be caused by removal of the Equipment. Without Lessor's written permission, Lessee shall not attempt to or actually (i) pledge, lend, create a security interest in, sublet, exchange, trade, assign, swap, use for an allowance or credit or otherwise; (ii) allow another to use; (iii) part with possession; (iv) dispose of; or (v) remove from the Premises, any item of Equipment. If any item of Equipment is exchanged, assigned, traded, swapped, used for an allowance or credit or otherwise to acquire new or different equipment without Lessor's prior written consent, then all of the new equipment shall at Lessor's election become Equipment owned by Lessor subject to this Lease, in which event Exhibit "A" shall be modified accordingly.

6. Inspection; Conclusive Presumptions. Lessee shall inspect the Equipment within forty-eight (48) hours after receipt. Within this time, Lessee shall notify Lessor in writing specifying any defect in or other proper objection to the Equipment. Lessee acknowledges and agrees it shall be conclusively presumed that Lessee fully inspected and acknowledged that the Equipment is in good condition and repair, and that Lessee is satisfied with and accepted the Equipment with regard to all matters other than those set forth in a written notice given within this forty-eight (48) hours.

7. Lessor's Inspection. Lessor shall have the right at any and all times to enter into and on the Premises where any of the Equipment may be located, to inspect it or observe its use. Lessee shall give Lessor immediate notice of any attachment or other judicial process affecting any item of Equipment.

8. Alterations. Lessee shall not make any alterations, additions, or improvements to the Equipment

(collectively, "Alterations") without the prior written consent of Lessor. Lessor may require any Alterations consented to by Lessor to be removed by Lessee upon expiration of the Term or sooner termination of this Lease. Lessor may at any time require removal of Alterations to which Lessor has not consented. All Alterations that Lessor does not require Lessee to remove as described above shall belong to and become the property of Lessor on the expiration, or earlier termination, of this Lease.

9. Maintenance. Lessee, at Lessee's cost and expense, shall keep the Equipment in good repair, condition, and working order, and shall furnish all parts, mechanisms, and devices to do so, and title to all of such parts, mechanisms and devices shall automatically become vested in Lessor. Lessee shall enter into a regular maintenance contract covering at least the refrigeration, air conditioning and fire extinguishing equipment. Maintenance shall be performed by a service provider authorized by the Equipment manufacturer and consented to by Lessor, and must include monthly preventive maintenance and where available, full coverage service. The maintenance contract must start at a time no later than the expiration of any free service period provided by the Equipment's installing contractor.

10. Loss and Damage; Stipulated Loss Value. Lessee assumes and shall bear the entire risk of loss and damage to the Equipment from any and every cause. No loss or damage to the Equipment or any part thereof shall impair any obligation of Lessee under this Lease, which shall continue in full force and effect.

In the event of loss or damage of any kind, to any item of the Equipment, Lessee shall, at the option of Lessor:

- (a) Repair the damaged Equipment to place it in good repair, condition, and working order; or
- (b) Replace the damaged Equipment with equipment in good repair, condition and working order, free and clear of all liens and encumbrances and grant Lessor the right to perfect its security interest in the replacement Equipment and such replacement shall be substituted in this Lease by appropriate modification; or
- (c) If the Equipment is determined by Lessor to be lost, stolen, destroyed, or damaged beyond repair, pay Lessor a "stipulated loss value" for the Equipment in question. The stipulated loss value for each item of Equipment is (i) the original cost of such item, (ii) reduced by straight line depreciation over the useful life of such item under generally accepted accounting principles (but in no event less than seven (7) years), and (iii) the result of the foregoing then increased by ten percent (10%).

On making the payment in 10(c) this Lease shall terminate with respect to the item of Equipment paid for and Lessee shall then become the owner of such the item "AS IS, WHERE IS, WITH ALL FAULTS AND WITHOUT WARRANTY", express or implied, with respect to any matter whatsoever, and the applicable Equipment shall be removed from Exhibit "A".

11. Surrender. On expiration or earlier termination of this Lease, with respect to any item of Equipment, Lessee shall (unless Lessee paid Lessor in cash the "stipulated loss value" of the item pursuant to Section 10(c)) return the item to Lessor in good repair, condition, and working order, ordinary wear and tear from proper use excepted, in the following manner, as may be specified by Lessor:

- (a) By delivering the item at Lessee's cost and expense to the place Lessor specifies within the city or county in which the item was delivered to Lessee or to which it was moved with Lessor's written consent; or
- (b) By loading the item at Lessee's cost and expense on board the carrier that Lessor specifies and shipping the item, freight collect, to the destination designated by

Lessor.

12. Insurance. Until the Equipment is returned to Lessor or as otherwise herein provided (and whether or not this Lease has terminated), Lessee, at its sole cost and expense, shall maintain: (i) property and casualty insurance insuring the Equipment for its full replacement value and naming Lessor and its assigns as the sole loss payee; and (ii) comprehensive public liability and third-party property insurance in such amounts and with such limits as Lessor may require and naming Lessor and its assigns as an additional insured. The insurance shall cover the interest of both Lessor and Lessee in the Equipment, as the case may be, and shall protect both Lessor and Lessee in respect to all risks arising out of the condition, delivery, installation, maintenance, use or operation of the Equipment. All such insurance shall provide for thirty (30) days prior written notice to Lessor of cancellation, restriction, or reduction of coverage. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of and execute and endorse all documents, checks or drafts for loss or damage or return premium under any insurance policy issued on the Equipment. Prior to installation of the Equipment, all policies or certificates of insurance shall be delivered to Lessor by Lessee. Lessee agrees to keep the Equipment insured with an insurance company which is at least "A/IX" rated by A.M. Best. The proceeds of any loss or damage insurance shall be payable to Lessor, but Lessor shall remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor satisfactory proof that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) pays to Lessor the stipulated loss value. It is understood and agreed that any payments made by Lessee or its insurance carrier for loss or damage of any kind whatsoever to the Equipment are not made as accelerated rental payments or adjustments of rental, but are made solely as indemnity to Lessor for loss or damage of its Equipment.

13. Taxes. Lessee shall pay (or, as applicable, promptly reimburse Lessor for) all license and registration fees, assessments, sales and use taxes, rental taxes, gross receipts taxes, personal property taxes, and any other taxes now or hereafter imposed by any government, agency, province or otherwise upon the Equipment, the Rent, or upon the ownership, leasing, renting, purchase, possession or use of the Equipment, whether assessed to Lessor or Lessee (collectively, "Taxes"). Lessee shall, in addition, be responsible to Lessor for the payment and discharge of any penalties or interest as a result of Lessee's actions or inactions. .

14. Lessor's Payment. If Lessee does not obtain and maintain insurance required in Section 12 or timely pay all Taxes, Lessor shall have the right, but shall not be obligated, to obtain some or all the insurance, and/or pay some or all Taxes. Lessee shall, on demand, pay or reimburse the costs to Lessor together with interest on the amounts incurred by Lessor at the rate of ten percent (10%) per annum or the maximum legal rate of interest, whichever is less. This provision for interest does not excuse Lessee's breach.

15. No Warranties. LESSEE IS LEASING THE EQUIPMENT IN ITS "AS IS" AND "WITH ALL FAULTS" CONDITION. LESSOR DOES NOT MAKE AND HEREBY DISCLAIMS ANY WARRANTIES WHATSOEVER, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. LESSEE ACKNOWLEDGES THAT IT IS NOT RELYING ON LESSOR'S SKILL OR JUDGMENT TO SELECT OR FURNISH GOODS SUITABLE FOR ANY PARTICULAR PURPOSE. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT LESSOR AND ITS REPRESENTATIVES AND EMPLOYEES HAVE NOT MADE ANY STATEMENT, REPRESENTATION OR WARRANTY RELATIVE TO THE ACCOUNTING OR TAX ENTRIES, TREATMENT, BENEFIT, USE OR CLASSIFICATION OF THIS LEASE OR THE EQUIPMENT. LESSOR SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE RELATIONSHIP BETWEEN LESSOR AND LESSEE, THIS LEASE OR THE PERFORMANCE, POSSESSION, LEASE OR USE OF THE EQUIPMENT.

16. Indemnity. To the fullest extent permitted by law, Lessee shall indemnify, protect, defend (with attorneys reasonably acceptable to Lessor) and hold Lessor and Lessor's personnel harmless, from and

against any and all claims, actions, suits, proceedings, costs, expenses, damages, losses, liabilities, judgments, interest, awards, penalties, fines, costs, or expenses of whatever kind and nature, including without limitation reasonable attorneys' fees and the cost of enforcing any right to indemnification under this Lease and the cost of pursuing any insurance providers, arising out of, connected with, or resulting from

- (a) the Equipment, including without limitation the manufacture, selection, delivery, possession, adequacy of, defects in, use, effects of use, operation, maintenance, performance, or return of the Equipment, or any loss of business or other special, incidental or consequential damages whether or not resulting from any of the foregoing; or
- (b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Lessee pursuant to this Lease.

The provisions of this Section 16 shall survive the expiration, termination, cancellation or assignment of this Lease and shall be binding upon Lessee's successors and permitted assigns.

17. Default. Each of the following events is an "Event of Default" under this Agreement:

- (a) if Lessee fails to pay when due any installment of Rent or any other amount under this Lease;
- (b) if Lessee defaults in the observance or performance of any other term, covenant, or condition of this Lease, on Lessee's part to be observed or performed, and Lessee fails to remedy such default within ten (10) days after notice by Lessor to Lessee of such default;
- (c) if Lessee fails to observe or perform any term, covenant, or condition on Lessee's part to be observed or performed under any agreement with Lessor or its affiliates, other than this Lease, and such default continues beyond any grace period set forth in such other agreement for the remedying of such default;
- (d) if Lessee's interest or any portion thereof in this Lease devolves on or passes to any person, whether by operation of law or otherwise;
- (e) if Lessee:
 - (i) does not, or is unable to, or admits in writing its inability to, pay its debts as they become due;
 - (ii) commences or institutes any case, proceeding, or other action seeking relief on its behalf as debtor, or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors;
 - (iii) commences or institutes any case, proceeding, or other action seeking appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property; or
 - (iv) makes a general assignment for the benefit of creditors;

(f) if a receiver, trustee, custodian, or other similar official is appointed for any substantial part of the assets of Lessee which appointment is not vacated or stayed within thirty (30) days;

(g) if any case, proceeding, or other action is commenced or instituted against Lessee (A) seeking to have an order for relief entered against it as debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property, which in either of such cases (1) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment, or the issuance or entry of any other order having a similar effect or (2) remains un-dismissed for a period of thirty (30) days;

(h) if any case, proceeding, or other action is commenced or instituted against Lessee seeking issuance of a warrant of attachment, execution, distraint, or similar process against it or all or any substantial part of its property which results in the entry of an order for any such relief which is not vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof;

(i) if Lessee takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in Sections 17(e) through (h) above; or

(j) if Lessee sells, transfers, or disposes of all or substantially all of its assets or the Premises, or merges or consolidates or reorganizes with or to any other entity, or takes or is involved in any action that results in a change in ownership or voting control of Lessee.

18. Remedies. If an Event of Default occurs, then Lessor shall have the right to pursue and enforce, alternatively, successively and/or concurrently, any one or more of the following remedies:

- (a) recover from Lessee all accrued and unpaid Rent and other amounts due and owing on the date of the default;
- (b) recover from Lessee from time to time all Rent and other amounts as and when becoming due hereunder;
- (c) accelerate, cause to become immediately due and recover the present value of all Rent (with any further Net Sales Rent based on the highest Net Sales Rent payable during any previous calendar month) and other amounts due and/or likely to become due hereunder from the date of the default to the end of the Term using a discount rate of four (4%) percent;
- (d) cause to become immediately due and payable and recover from Lessee the stipulated loss value of the Equipment which Lessee agrees is not a penalty but rather the fair measure of Lessor's loss in or damage to Lessor's interests in the Equipment and Lease caused by Lessee's default hereunder;
- (e) terminate any or all of the Lessee's rights, but not its obligations, associated with the lease of Equipment under this Lease;
- (f) retake (by Lessor, independent contractor, or by requiring Lessee to assemble and surrender the Equipment in accordance with the provisions of Section 11 hereinabove) possession of the Equipment without terminating this Lease, free

from claims by Lessee which claims are hereby expressly waived by Lessee. Any taking of possession shall not constitute termination of this Lease as to any or all items of equipment unless Lessor expressly notifies Lessee in writing, and Lessee shall be and remain liable for the full performance of all obligations to be performed by Lessee under this Lease. Upon repossession of the Equipment, Lessor shall have the right to lease, sell or otherwise dispose of such Equipment in a commercially reasonable manner, with or without notice, at a public or private sale. Lessor's pursuit and enforcement of any one or more remedies shall not be deemed an election or waiver by Lessor of any other remedy. Lessor shall not be obligated to sell or re-lease the Equipment. Any sale or re-lease may be held at such place or places as are selected by Lessor, with or without having the Equipment present. Any such sale or re-lease, may be at wholesale or retail, in bulk or in parcels. Time and exactitude of each of the terms and conditions of this Lease Agreement are hereby declared to be of the essence. Lessor may accept past due payments in any amount without modifying the terms of this Lease Agreement and without waiving any rights of Lessor hereunder;

- (g) proceed by court action to enforce performance by Lessee of its obligations associated with this Lease; and/or .
- (h) pursue any other remedy Lessor may otherwise have, at law, equity or under any statute, and recover damages and expenses (including attorneys' fees) incurred by Lessor by reason of the Event of Default.

19. Bankruptcy. Neither this Lease nor any interest therein is assignable or transferable by operation of law. If any proceeding under the Bankruptcy Act is commenced by or against Lessee, or if Lessee is adjudged insolvent, or if Lessee makes any assignment for the benefit of creditors, or if a writ of attachment or execution is levied on any item or items of Equipment and not released or satisfied within ten (10) days, or if a receiver is appointed in any proceeding or action to which Lessee is a party with, authority to take possession or control of any item or items of Equipment, Lessor shall have and may exercise any one or more remedies; and this Lease shall, at Lessor's option, without notice, immediately terminate and shall not be treated as an asset of Lessee after the exercise of Lessor's choice of action.

20. Legal Fees and Costs. In the event of any default, claim, proceeding (including a bankruptcy proceeding), arbitration, mediation, counter-claim, action (whether legal or equitable), appeal or otherwise, whether initiated by Lessor or Lessee (or a debtor-in-possession or bankruptcy trustee), which arises out of, under, or is related in any way to this Lease, or any other document, agreement or instrument executed pursuant hereto or in connection herewith, or any governmental examination or investigation of Lessee, which requires Lessor's participation (individually and collectively, the "Claim"), Lessee, in addition to all other sums which Lessee may be called upon to pay under the provisions of this Lease, shall pay to Lessor, on demand, all costs, expenses and fees paid or payable in connection with the Claim, including, but not limited to, attorneys' fees and out-of-pocket costs, including travel and related expenses incurred by Lessor or its attorneys, whether or not the Claim is pursued to judgment.

21. Assignment; Successors. Without Lessor's prior written consent of Lessor, which may be withheld by Lessor in its sole discretion, Lessee shall not assign, transfer, pledge, or hypothecate this Lease, the Equipment, or any part thereof, or any interest therein, or sublet or lend any or all Equipment, or permit any or all Equipment to be used by anyone other than Lessee or Lessee's employees. Consent to any of the foregoing prohibited acts applies only in the particular instance; and is not consent to any subsequent like act by Lessee or any other person. Lessor may assign this Lease or mortgage the Equipment and the assignee may assign the same in whole or in part. All rights of Lessor may be assigned, pledged, mortgaged, transferred, or otherwise disposed, in whole or in part, without notice to Lessee. If Lessor assigns this Lease or rentals due or to become due or any other interest, whether as security for indebtedness or otherwise, no breach or default by Lessor pursuant to this Lease or any other agreement,

shall excuse performance by Lessee. An assignee of Lessor shall not be obligated to perform any duty, covenant or condition of Lessor under this Lease unless the assignee agrees to do so, but if the assignee agrees to do so, the original Lessor hereunder shall not be liable for any of the obligations of "Lessor" under this Lease thereafter arising. Subject to the foregoing, this Lease benefits and binds Lessor and Lessee and their heirs, legatees, personal representatives, successors, and permitted assigns.

22. Ownership. Lessee shall have no ownership right, title or interest in or to the Equipment except as expressly set forth in this Lease. Lessor shall have the right to file a UCC-1 Financing Statement and other statements and notices with government entities.

23. Personal Property. The Equipment is, and shall at all times be and remain personal property even though the Equipment or any part may now be, or hereafter become, affixed or attached to, imbedded in, or permanently resting on, real property or any building, or attached by cement, plaster, nails, bolts, screws, or otherwise to what is permanent.

24. Interest; Late Charge. Any monies due to Lessor by Lessee pursuant to this Lease shall be deemed delinquent if not paid on the date provided for in this Lease, time being of the essence. If Lessee fails to pay on time, the delinquent amount shall bear interest at the lesser of the maximum lawful rate of interest for a non-personal loan in the state where the Equipment is located or ten percent (10%) per annum from the date due until the date of payment. Lessee shall also pay Lessor a late charge equal to ten percent (10%) of the delinquent amount. Lessee agrees these amounts are reasonable compensation to Lessor for delayed use of funds and additional services and expenses required due to failure to pay on time. These payments do not excuse any breach.

25. Net Lease; No Offset. This Lease is a net lease and Lessee's obligation to pay all Rent and other amounts under this Lease is absolute and unconditional and is not subject to any abatement, counterclaim, defense, deferment, interruption, recoupment, reduction, or setoff for any reason whatsoever. To the extent that the Equipment includes intangible (or intellectual) property, Lessee understands and agrees that: (i) Lessor is not a party to and does not have any responsibility under any software license and/or other, agreement with respect to any software; and (ii) Lessee will be responsible to pay all of the Rent and perform all its other obligations under this Lease despite any defect, deficiency, failure, termination, dissatisfaction, damage or destruction of any software or software license. Except as expressly provided herein, this Lease shall not terminate for any reason, including any defect in the Equipment or Lessor's title thereto or any destruction or loss of use of any item of Equipment.

26. Non-waiver. No covenant or condition of this Lease can be waived except by written consent of Lessor. Forbearance or indulgence by Lessor shall not be a waiver of the covenant or condition to be performed by Lessee and Lessor shall be entitled to invoke any remedy available to Lessor under this Lease or by law or equity despite the forbearance or indulgence.

27. Hold-Over. If, with Lessor's consent, Lessee holds possession of the Equipment after expiration of the Term, Lessee shall become a lessee from month to month on the terms herein specified but at a monthly Rent of two hundred percent (200%) of the previous month's minimum monthly Rent.

28. Entire Agreement. This Lease contains all terms and conditions agreed by the parties regarding its subject. No other agreements, oral or otherwise, shall be deemed to exist or bind the parties and all prior agreements, understandings and representations are merged into and superseded by this Lease. Lessee represents that there are no other contemporaneous agreements or understandings between the parties that are stated herein. No officer or employee or agent of Lessor has authority to make any representation or promise not stated in this Lease, and Lessee acknowledges and agrees that Lessee executed this Lease without relying on any such purported representation or promise. This Lease cannot be modified or changed except by written instrument signed by all parties.

29. Governing Law; Jurisdiction. This Lease shall be governed by the laws of the State of

California, without regard to its conflict of laws principles. The undersigned and the holder hereof hereby agree that all actions or proceedings arising directly or indirectly hereunder, whether instituted by the holder hereof or the undersigned, shall be brought exclusively in any federal or state court located within the State of California, County of Orange, and each of the undersigned and the holder hereof expressly consents to the exclusive jurisdiction of any state or federal court located within said state and county, and waives any defense of forum non convenienc and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Lease.

30. Severability. Whenever possible, each provision of this Lease will be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Lease is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Lease.

31. No Strict Construction. The undersigned hereby waives the benefit of any statute or rule of law or judicial decision, including without limitation California Civil Code Section 1654, which would otherwise require that the provisions of this Lease be construed or interpreted most strongly against the party responsible for the drafting thereof.

32. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand, or when delivery is made by Federal Express or other overnight courier service, or three (3) business days after being mailed by registered or certified mail, return receipt requested, postage pre-paid, in each case addressed as follows: (i) if to Lessor, addressed to Lessor at the address set forth under its signature below; and (ii) if to Lessee, addressed to Lessee at the address set forth under its signature below. Notices signed by the respective attorneys of Lessor or Lessee shall be deemed sufficient without the signature of the parties themselves. Each party may change its notice address by notice to the other given in accordance with the foregoing.

33. Number. Whenever the context of this Lease requires, the singular number includes the plural. If more than one Lessee is named in the Lease, the liability of each shall be joint and several.

34. Titles. Titles to paragraphs of this Lease are solely for convenience, and are not an aid in the interpretation of the instrument.

35. Time. Time is of the essence of this Lease and each and all of its provisions.

36. Counterparts. This Lease may be executed in counterparts, each of which is deemed an original, but all of which together is deemed to be one and the same agreement. A signed copy of this Lease delivered by facsimile, email, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Lease.

[Signature Page Follows]

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease effective as of the date first above written.

LESSOR:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: GALARDI GROUP FRANCHISE & LEASING, INC.,
a California corporation, its Managing Member

By: _____
Vice President

ADDRESS:

7700 Irvine Center Drive, Suite 550
Irvine, California 92618

LESSEE:

ADDRESS:

Exhibit "A"

List of Equipment

[to be attached]

Exhibit E

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)

(COMPANY NAME)

NAME OF BANK

NAME OF BRANCH, IF ANY

ADDRESS OF BANK

ACCOUNT IN THE NAME OF

ACCOUNT #

The undersigned requests and authorizes you to pay and charge to the above account the undersigned's checks drawn on the account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in the account to pay the same on presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of _____ to sign such checks. This authority remains in effect until revoked by me in writing and until you receive such notice, I agree that you shall be fully protected in honoring any such check.

If any such check is dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

(Date)

(Bank Signature of Depositor)

(Attach Voided Check Here)

EXHIBIT F
PROMISSORY NOTE

[INSERT IF APPLICABLE: THIS NOTE IS NOT SELF-AMORTIZING AND A SUBSTANTIAL BALLOON PAYMENT
WILL BE DUE ON THE MATURITY DATE]

PROMISSORY NOTE

\$_____ [Insert Amount]
_____, _____ [Insert Location Signed]
_____, 20__ [Insert Date]

In installments as herein stated, for value received, the undersigned (jointly and severally if more than one) ("Maker") hereby promises to pay to the order of GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Payee"), with its principal business address at 7700 Irvine Center Drive, Suite #550, Irvine, California 92618, the principal sum of _____ DOLLARS (\$_____), with interest from the _____ day of _____, 20__ (the "Disbursement Date"), on the unpaid principal at the rate of _____ percent (____%) per annum.

1. Principal and Interest. Principal and interest under this Promissory Note (this "Note") shall be payable in installments of principal and accrued interest thereon as follows:

_____ DOLLARS (\$_____) on the _____ day of each calendar month, starting on the _____ day of _____, 20__, and continuing until the _____ day of _____, 20__ (the "Maturity Date"), on which date the entire unpaid balance of principal and accrued interest shall be due and payable. Interest shall be computed on the basis of a year of 360 days and paid for actual days for which due, including the Disbursement Date and each payment date.

2. Payments, Penalties, and Prepayments.

(a) All payments of principal and interest shall be made by Maker at or prior to 10:00 A.M. on the date due at the principal business address of Payee set forth above, or as such other place as Payee may designate in writing to Maker, without offset, deduction, or counterclaim, in lawful money of the United States of America and in immediately available funds.

(b) If any payments or amounts due hereunder to Payee whether by acceleration or otherwise are overdue, Maker shall pay Payee immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Payee may have.

(c) Notwithstanding any provision of this Note to the contrary, it is the intent of Maker and Payee that Payee shall not at any time be entitled to receive, collect or apply, and Maker and Payee shall not be deemed to have contracted for, as interest on the principal indebtedness evidenced hereby, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and in the event Payee ever receives, collects or applies as interest any such excess, such excess shall be deemed partial payment of the principal indebtedness evidenced hereby, and if such principal shall be paid in full, any such excess shall forthwith be paid to Maker.

[(d) This Note may be prepaid at any time, in whole or in part, without penalty or premium of any kind.]

(e) Maker shall pay Payee on demand any reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) arising out of, or in connection with, any action or proceeding taken to protect, enforce, determine or assert any provision, right or remedy under this Note (including any action or proceeding arising or related to any insolvency, bankruptcy or reorganization involving or affecting Maker).

3. Events of Default. An Event of Default includes each of the following:

(a) Maker shall fail to make any payment under this Note when due, where such failure continues for ten (10) days after receipt of written notice of such failure;

(b) Maker defaults in the performance of any other obligation, covenant, condition or provision in this Note, where

such default continues for more than thirty (30) days after written notice of such failure;

(c) Maker or any of its principals or affiliates defaults in the performance of any obligation, covenant, condition or provision under any other agreement between Maker (or any principal or affiliate of Maker) with Payee (or any principal or affiliate of Payee) and , including without limitation any franchise agreement, equipment lease, real property lease or sublease, and any other agreement relating to Hamburger Stand Unit #___ located at _____ (collectively, the "Other Agreements"), where such default continues beyond applicable notice and cure periods (if any) set forth in the applicable Other Agreement(s);

(d) Any proceeding for attachment or garnishment or the like shall be commenced against Maker by any creditor of Maker and shall not be dismissed or stayed within ten (10) days' notice thereof from Payee to Maker;

(e) A proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of Maker or any guarantor of any indebtedness evidenced by this Note in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or any such guarantor or for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days, or such court shall enter a decree order granting any of the relief sought in such proceeding; or

(f) Maker shall commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of himself or herself or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall admit in writing an inability to pay any of its debts as they become due, or shall take any action in furtherance of any of the foregoing.

4. Consequences of Event of Default. Maker agrees that upon the occurrence of an Event of Default specified in Paragraph 3 above, then the whole of the principal of the indebtedness evidenced by this Note, and any other sums then unpaid by Maker under this Note shall, at the option of Payee forthwith become due and payable without notice or any other act.

5. Cross-Default. Maker agrees that an Event of Default under this Note shall be deemed an event of default under each of the Other Agreements, and shall entitle Payee (or its affiliate(s)) to exercise the remedies in those Other Agreements (or otherwise available at law or in equity) on account of such event of default.

6. Notices.

(a) All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand, or when delivery is made by Federal Express or other overnight courier service, or three (3) business days after being mailed by registered or certified mail, return receipt requested, postage pre-paid, in each case addressed as follows: (i) if to Payee, addressed to Payee at its principal business address set forth above [, with a copy to _____]; (ii) if to Maker, addressed to Maker at _____ [insert address].

(b) Notices signed by the respective attorneys of Maker or Payee shall be deemed sufficient within the meaning of this Paragraph 6 without the signature of the parties themselves and such notice shall be deemed to have been given on the date of delivery to the addresses of the party to whom such notice is addressed.

7. Miscellaneous. Maker further agrees as follows:

(a) All parties now or hereafter liable with respect to this Note, whether Maker, any guarantor, endorser, or any other person or entity, hereby waive presentment for payment, demand, notice of nonpayment or dishonor, protest and notice of protest.

(b) No delay or omission on the part of Payee or any holder hereof in exercising its rights under this Note shall operate as a waiver of such rights or any other right of Payee or any holder hereof, nor shall any waiver by Payee

or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

(c) Except as may be agreed by Payee in writing, Maker shall not have the right to assign, transfer, or pledge this Note or any of its rights or obligations under this Note. This Note shall bind Maker and the successors, heirs, executors, administrators, and permitted assigns of Maker, and the benefits hereof shall inure to the benefit of Payee and its successors and assigns. All references herein to "Maker" shall be deemed to refer to Maker and the successors and permitted assigns of Maker, and all references herein to "Payee" shall be deemed to refer initially to the originally named Payee herein and, after an assignment of this Note by Payee, to the then current holder of this Note.

(d) This Note may not be changed or terminated orally, but only by an agreement in writing signed by Maker and Payee.

(e) This Note shall be governed by and construed in accordance with the internal laws of California, without regard to its conflicts of laws principles. All actions or proceedings arising directly or indirectly hereunder, whether instituted by Maker or Payee, shall be brought exclusively in any federal or state court located within the State of California, County of Orange, and each of Maker and Payee expressly consents to the exclusive jurisdiction of any state or federal court located within said state and county, and waives any defense of forum non conveniens and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Note.

(f) The rights and remedies expressly provided in this Note are cumulative to, and not exclusive of, any rights or remedies that Payee would otherwise have.

(g) In the event of any default, claim, proceeding (including a bankruptcy proceeding), arbitration, mediation, counter-claim, action (whether legal or equitable), appeal or otherwise, whether initiated by Payee or Maker (or a debtor-in-possession or bankruptcy trustee), which arises out of, under, or is related in any way to this Note, or any Other Agreement, or any governmental examination or investigation of Maker which requires Payee's participation (individually and collectively, the "Claim"), Maker, in addition to all other sums which Maker may be called upon to pay under the provisions of this Note, shall pay to Payee, on demand, all costs, expenses and fees paid or payable in connection with the Claim, including, but not limited to, attorneys' fees and out-of-pocket costs, including travel and related expenses incurred by Payee or its attorneys, whether or not the Claim is pursued to judgment.

(h) Whenever possible, each provision of this Note will be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Note is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Note.

(i) Maker waives the benefit of any statute or rule of law or judicial decision, including without limitation California Civil Code Section 1654, which would otherwise require that the provisions of this Note be construed or interpreted most strongly against the party responsible for the drafting thereof.

IN WITNESS WHEREOF, Maker, intending to be legally bound, has executed this Note as of the date and year first above written.

MAKER:

By: _____
Printed Name: _____

WITNESS/ATTEST:

By: _____
Printed Name: _____

EXHIBIT G
GUARANTY

CONTINUING GUARANTY & SUBORDINATION AGREEMENT

1. CONTINUING GUARANTY.

____ ("Guarantor(s)") whose address is _____ as a material inducement to and in consideration of GALARDI GROUP FRANCHISE & LEASING, LLC ("GGFL") and GALARDI GROUP FRANCHISE CORP. ("GGFC") entering into agreements with _____ ("Obligor"), including but not limited to the agreements described on attached Exhibit A, unconditionally guarantees and promises to and for the benefit of GGFL and GGFC the timely, full and faithful performance of all provisions of all agreements, any and all amendments and any and all addendums thereto, and any other agreements now or later after made between, on the one hand, GGFL and/or GGFC and on the other hand, Obligor (the "Agreements") and all obligations now or later undertaken or arising of Obligor to GGFL and/or GGFC. This is a CONTINUING GUARANTY of all present and future obligations of Obligor to GGFL and GGFC, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Obligor may be liable individually or jointly with others, or whether recovery on the obligations may be or become barred by any statute of limitations, or by any estoppel, or whether such obligations may be or become unenforceable for any other reason.

a) Guarantor(s)' obligations under this Guaranty are joint and several and independent of the obligations of Obligor. Guarantor(s) consent that a separate action or actions may be brought and prosecuted against Guarantor(s) whether or not action is brought against Obligor or whether or not Obligor is joined in such action or actions. Guarantor(s) waive the benefit of and promise not to assert the defense of any statutes of limitations or defense of laches affecting their liability hereunder or enforcement hereof.

b) Guarantor(s) waive any right to require GGFL or GGFC to: (a) proceed first against Obligor; (b) proceed at all against Obligor; (c) proceed against or exhaust any security held from Obligor; or (d) pursue any other remedy in GGFL's or GGFC's power. Guarantor(s) waive any defense arising by reason of any disability or other defense of Obligor or by reason of the cessation from any cause whatsoever of the liability of Obligor or by reason of GGFL or GGFC having modified the obligations of Obligor, whether expressly or impliedly, orally or in writing, or by reason of GGFL or GGFC not having notified Guarantor(s) of Obligor's breach or impending breach or failure or impending failure to perform, or by reason of GGFL or GGFC negotiating resolution with Obligor, or by reason of any act of omission of GGFL or GGFC being claimed to affect Guarantor(s) right or remedies as against Obligor, or as against any other person or entity.

c) Until all obligations of Obligor to GGFL and GGFC have been satisfied in full, Guarantor(s) shall have no right of subrogation, and waive any right to enforce any remedy which GGFL or GGFC now have or may later have against Obligor, and waive any benefit of, and any right to participate in any security now or later held by GGFL or GGFC. GGFL and/or GGFC may foreclose, either by judicial foreclosure, or by exercise by power of sale, any security for the obligations. Even though foreclosure may destroy or diminish Guarantor(s)' rights against Obligor, Guarantor(s) shall be liable to GGFL and GGFC for any part and for all of the obligations remaining after foreclosure. Guarantor(s) waive all presentments, demands for performance, notice of non-performance, protest, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or incurring of new or additional obligations, or modification of obligations, and statute of limitations and laches defenses.

d) In addition to all liens on, and rights of set-off against the monies, securities or other property of Guarantor(s) given to GGFL and GGFC by law, GGFL and GGFC shall have a lien on and right of set-off against all monies, securities and other property of Guarantor(s) now or later in the possession of or on deposit with GGFL and GGFC, whether held in a general or special account or deposit, or for safekeeping, or legally or equitably, directly or in trust, or otherwise; and every such lien and right of set-off may be exercised without demand on or notice to Guarantor(s). No lien or right of set-off shall be deemed to have been waived by any act or conduct on the part of GGFL or GGFC or by neglect to exercise such right of set-off or to enforce such lien, or by any delay in doing so or by any omission and every right of set-off and lien shall continue in full force and effect until such right of set-off or lien is specifically, expressly waived or released by an instrument in writing executed by GGFL and GGFC.

2. SUBORDINATION.

Any indebtedness or obligation of Obligor now or later held by or acquired by Guarantor(s) is hereby subordinated to the indebtedness or obligation of Obligor to GGFL and GGFC. Such indebtedness or obligation of Obligor to Guarantor(s), if GGFL and GGFC request, shall be collected, enforced and received by Guarantor(s) as trustees for GGFL and GGFC and shall be paid over to GGFL and GGFC on account of the indebtedness or other obligation of Obligor to GGFL and

EXHIBIT G

GGFC but without reducing or effecting in any manner the liability of Guarantor(s) under the other provisions of this Guaranty.

3. ATTORNEY'S FEES.

Guarantor(s) agree to pay reasonable attorney's fees and other costs and expenses which may be incurred by GGFL and/or GGFC in the enforcement of this Guaranty and or in collection and enforcement efforts against Obligor.

4. MISCELLANEOUS.

a) It is not necessary for GGFL and GGFC to inquire into the powers of Obligor or the members, managers, officers, directors or agents acting or purporting to act on behalf of the obligator, and any agreements or obligations made or created in reliance on the professed exercise of such power shall be guaranteed hereunder.

b) Any married person who signs this Guaranty agrees that recourse may be had against that person's separate property and that person's interest in community property for all obligations under this Guaranty.

c) This Guaranty shall bind and benefit the successors, assignees, transferees, personal representatives, heirs, or other persons or entity succeeding the rights or obligations of either party.

d) This Guaranty shall be interpreted and construed according to the laws of the State of California. The provisions of this Guaranty shall be interpreted according to their fair meanings with liberal construction to be given in favor of GGFL and GGFC as needed to advance the enforcement of this Guaranty against Guarantor(s) and not strictly for or against any party.

e) The following in this Section 4(e) is applicable only in the case of any Guarantor(s) having an interest in the Franchise that is subject to this Guaranty and completing a transfer of all Guarantor(s)' interests in the Franchise and only if indicated by the blanks being filled in and this paragraph being specially initialed. Notwithstanding anything to the contrary in this Guaranty, Guarantor's obligations and liabilities under this Guaranty shall be limited so as not to exceed the extent of Guarantor(s)' obligations and liabilities in relation to the agreements as then exist on the effective date of the transfer (which is acknowledged to be _____, 20__) and Guarantor's obligations and liabilities under this Guaranty shall terminate and be of no further force or effect after _____, 20__. Initials of Guarantor(s): _____

Executed this _____ day of _____, 20__.

GUARANTOR(S):

PERCENTAGE OF OWNERSHIP
IN FRANCHISE OWNER

EXHIBIT "A"

1. Franchise Agreement dated the ____ day of _____, ____.
2. Sublease dated the ____ day of _____, ____.
3. Advertising Association Agreement dated the ____ day of _____, ____.
4. Equipment Lease dated the ____ day of _____, ____.
5. Other agreement(s) and/or obligations (list here):

EXHIBIT G

EXHIBIT H
ADVERTISING ASSOCIATION AGREEMENT

STORE # _____

HAMBURGER STAND ADVERTISING ASSOCIATION AGREEMENT

This AGREEMENT is made and entered into as of _____, 20____, by and between _____ ("Operator") and other participating operators in the area described below, collectively referred to as Hamburger Stand Operators' Association of _____ ("Association") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL") with reference to the following facts:

Operator is the franchisee under a Franchise Agreement that requires Operator to become a member of an advertising association approved by GGFL. Hamburger Stand Operators' Association of _____ is approved by GGFL and was formed to develop and implement regional advertising for participating Hamburger Stand units in its area. Accordingly, the parties have agreed as follows:

1. Purpose. The Association has been, or is hereby formed between Operator, other operators in the area described below and GGFL for the purpose of establishing, supervising, and implementing joint, region-wide advertising and promotion programs for the mutual benefit of all operators in the Association and for the benefit of GGFL.

2. Region. The area to be covered by the Association and this Agreement shall be the Designated Market Area ("DMA") as established from time to time by Nielsen, provided that GGFL shall always have the right to alter the area or specify an area with modified or different boundaries, which may be geographic, non-geographic, or a combination thereof.

3. Term. This Agreement shall be effective and Operator's obligations shall start on either the date of Operator's possession of a Hamburger Stand unit or execution of this Agreement and shall expire on the earlier of: (i) expiration or termination of Operator's Franchise Agreement; (ii) termination (not vetoed by GGFL) by a two-thirds (2/3) majority vote of all operators that are then members of the Association; (iii) judicial determination, or (iv) notice of termination from GGFL.

4. Advertising Agency. From time to time the Association shall select an advertising agency to carry out the Association's programs. The appointment shall be subject to GGFL approval. GGFL shall have the right to impose conditions to approval and to later revoke approval. The advertising agency shall be required to conform to guidelines issued by GGFL.

5. Officers. The Association shall have a President, at least one Vice President, and a Treasurer, all of whom shall be elected at the Association's first meeting and shall hold office for one (1) year and until successors are elected. The President shall call and preside at all meetings and shall generally act as administrator of the Association. The Vice President shall assist the President. The Vice President (or, if there is more than one, the First Vice President) shall act as President in case of the President's death, disability that prevents the President from fulfilling the duties of President, resignation or removal of the President from office. The Treasurer shall maintain all records, financial or otherwise, of the Association and shall deposit all Association monies in the name of the Association in a federal, or state chartered, FDIC-insured bank. The Treasurer shall issue checks against these monies to pay the Association's debts. Checks shall be signed by the President or Vice President. The Association may, if it so chooses, require that all checks, or all checks above a specified amount, must be signed by at least two officers.

6. Advertising Committee. The President, any Vice President(s) and Treasurer shall be designated as the Advertising Committee for the Association. The Committee shall have responsibility for:

- (a) Coordinating meetings of the Association;
- (b) Making recommendations to the Association for advertising campaigns;
- (c) Approving media schedules in support of advertising campaigns;
- (d) Budgeting Association monies in coordination with the advertising agency;
- (e) Reviewing national and local campaigns and sales promotion activities for use by the Association;
- (f) Developing specific advertising and promotion activities on a regular basis for the Association;
- (g) Reviewing and/or auditing and overseeing the Treasurer's reporting on the Association's revenues and expenditures;
- (h) Causing the Association to pursue enforcement and collection activities and actions.

EXHIBIT H

On approval of advertising activities as provided below, the Advertising Committee may spend the necessary money on one, or more than one, of the programs recommended nationally by GGFL and such locally developed Association programs as may be approved in writing by GGFL.

7. Meetings. The Association shall meet at regular intervals, as determined by the President, approximately every ninety (90) days. In any given calendar year at least four (4) meetings shall be held.

8. Quorum. A majority of the members entitled to vote shall constitute a quorum. A quorum of the Association may conduct all business the Association is empowered to conduct.

9. Vote. Each operator will be entitled to one (1) vote regardless of the number of units operated.

10. Approval of Advertising Activities. Association members shall vote on advertising campaigns, promotions and related activities that are presented by the Advertising Committee in conjunction with the advertising agency. A majority vote of a quorum of operators entitled to vote at a duly called meeting will be required to approve promotions, campaigns and related activities. In case of a tie vote, a representative of GGFL may place the deciding vote.

11. Participation. Each operator has the option to participate in any advertising and promotion programs which may include but are not necessarily limited to, use of point of sale signs and posters, purchase and distribution of premiums, and acceptance of redeemable coupons. Each operator must pay the contribution as provided herein whether or not the operator elects to participate in various advertising activities.

12. Assessments and Contributions. Each operator shall contribute to the Association, or its designee, on a monthly basis, or more frequently as may be determined by the Association, an amount equal to three percent (3%) of the net sales of the prior month (or, for more frequent contributions, prior shorter period determined by the Association), or an amount equal to the percentage contribution then in effect and required to be paid by members of the Association, whichever is higher, of the net sales of the prior month (or other shorter period as determined by the Association). Such payment shall be due and payable by the fifteenth (15th) day of the calendar month (or other more frequent due date as determined by the Association) following the month (or other applicable period) for which the contribution is required.

In addition to the above, Operator shall contribute one percent (1%) net sales to GGFL for national/regional advertising. This sum shall be paid directly to GGFL on or before the seventh (7th) day of the calendar month following the month for which the contribution is required, and pursuant to the terms of Operator's Franchise Agreement with GGFL. GGFL reserves the right to designate shorter periods and more frequent due dates for payment of the contribution for national/regional advertising.

The Association may vote to increase or decrease the percentage contribution due to the Association. But, in no event shall the percentage contribution be less than three percent (3%) of the prior month's net sales. Any change in the percentage contribution will not relieve Operator of the advertising obligations in the Franchise Agreement with GGFL.

If any contribution is not received by the Association within ten (10) days after the due date, Operator agrees to pay a late charge equal to ten percent (10%) of the amount due and interest on the principal amount at the rate of one-and-one-half percent (1½%) per month (18% per year) or, if less, the highest legal rate of interest in the state in which the delinquent operator's unit(s) are located, or if located in more than one state, the state in which Operator is a resident.

The Association may vote to require contributions to be made by automated clearing house (ACH) or other electronic and/or automatic means of payment. GGFL shall have the right to require contributions for national/regional advertising to be made by automated clearing house or other electronic and/or automatic means of payment.

13. Financial Accountability. All members of the Association will be provided, on a regular and timely basis, but, at least quarterly, a financial statement to include, but not limited be to, a statement of receipts and disbursements and a complete list of Association accounts receivable and accounts payable. The Treasurer, under supervision of the Advertising Committee, will be responsible for issuance and accuracy of these reports.

14. Taxes. The Association shall be responsible to pay any federal or state income taxes and any other taxes chargeable to the Association or its members by reason of membership in or participation in the activities of the Association.

15. Defaults. Operator acknowledges and agrees that any violation of this Agreement shall be a default under the Franchise Agreement between Operator and GGFL and shall entitle GGFL to pursue any and all remedies available on account of such default.

16. Enforcement. The Association shall enforce the collection of all sums due to the Association pursuant to this Agreement. The Association is authorized to expend such sums as may be required to carry out such duties.

17. Attorney's Fees. Operator agrees to pay the Association reasonable attorney's fees and costs if the Association is the prevailing party in any action brought between the Association and Operator.

18. Replacement. This Agreement supersedes and replaces all prior advertising agreements in the region described in Paragraph 2 above.

19. Benefit. This Agreement shall bind and benefit the parties and their heirs, executors, administrators, or permitted assigns.

20. Conflict. If there is an Association that covers the DMA in which this restaurant is located, and such Association has bylaws, or minutes, that conflict with any of the terms and conditions of this Agreement, then the language of such bylaws or minutes shall control.

21. Counterparts. This Agreement may be executed in any number of counterparts, with the same effect as if all parties executed a single instrument.

This Agreement shall be deemed to have been executed at _____, the day and year first above written.

PARTICIPATING OPERATOR:

HAMBURGER STAND NO. _____

Address

HAMBURGER STAND OPERATORS'
ASSOCIATION OF

By: _____

Title: _____

GGFL:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member
GALARDI GROUP FRANCHISE & LEASING, INC.

By: _____
Robert E. Mathews, Vice President

EXHIBIT I
PROMOTIONAL ALLOWANCE AGREEMENT

PROMOTIONAL ALLOWANCE ASSIGNMENT AGREEMENT

This AGREEMENT is made as of the _____ day of _____, 20____, by and between GALARDI GROUP FRANCHISE & LEASING, LLC ("GGFL"), GALARDI GROUP FRANCHISE CORP. ("GGFC") and the following Hamburger Stand franchisee or limited franchisee: _____ ("Franchisee").

APPLICABLE IF FRANCHISEE IS A HAMBURGER STAND FULL FRANCHISEE:

1. Pursuant to Section 9 of the Franchise Agreement between the parties, Franchisee is obligated to pay a percentage of Net Sales of the restaurant toward advertising and marketing promotions. For this Agreement, Net Sales has the meaning in the Franchise Agreement.

2. As an additional advertising and marketing obligation, Franchisee transfers, assigns and conveys to GGFL all Franchisee's right, title and interest in and to any marketing or promotion allowances which Franchisee is or may become entitled to from any manufacturer, supplier, distributor, purveyor, vendor or other provider of products or services ("Supplier"). Each Supplier and its subsidiaries, agents or assigns is hereby directed and authorized to remit and deliver all marketing or promotion allowance payments directly to GGFL, unless otherwise notified in writing by GGFL.

APPLICABLE IF FRANCHISEE IS A HAMBURGER STAND LIMITED FRANCHISEE:

3. In consideration for GGFL implementing an overall marketing plan in accordance with Section 7 of the Operator Agreement between the parties, Franchisee transfers, assigns and conveys to GGFL all Franchisee's right, title and interest in and to any marketing or promotion allowances which Franchisee is or may become entitled to from any manufacturer, supplier, distributor, purveyor, vendor or other provider of products or services ("Supplier"). Each Supplier and its subsidiaries, agents or assigns is hereby directed and authorized to remit all marketing or promotion allowance payments directly to GGFL unless otherwise notified in writing by GGFL.

APPLICABLE TO BOTH FULL FRANCHISEES AND LIMITED FRANCHISEES:

4. The funds may be co-mingled with GGFL's general revenues and funds; but such amounts shall be used and disbursed by GGFL for advertising, public relations and/or promotion activities and/or creation and development of advertising and promotion programs seeking to promote, enhance and/or advertise the chain on a national, regional and/or local basis. The fees shall also be used to reimburse GGFL for administrative costs, advertising agency fees, legal and overhead expenses connected with administration of advertising, public relations and promotion.

5. This Agreement is binding on the parties for the entire period of Franchisee's current franchise term, any extensions or renewals, or any future Franchise Agreements to which Franchisee may be or become a party.

6. Any election by GGFL not to enforce or any delay in enforcing this Agreement or any particular term(s) of this Agreement shall not constitute a waiver of the right to future enforcement of this Agreement or such term(s). Franchisee waives any defense or claim of waiver, waiver by delay, waiver by laches or the like.

EXHIBIT I

7. Franchisee shall execute further instruments and documents and take further actions that GGFL requests from time to time to affirm, reaffirm and assist in giving effect to this Agreement, including but not limited to executing further instructions to manufacturers, suppliers, distributors, purveyors and vendors of products and services.

8. In the event of any act or omission by Franchisee that disrupts or delays delivery of the funds to GGFL, or receipt or retention by Franchisee of any such funds without immediately turning the funds over to GGFL, Franchisee shall be obligated to compensate GGFL for delay by delivering the funds and paying interest on the funds at the rate of one-and-one-half percent (1½%) per month (which equates to 18% per year) from the date when the funds would or should have been received by GGFL absent such act or omission, whichever is earlier, until GGFL actually receives possession of the funds.

9. If any legal action or other proceeding is brought for the enforcement of this Agreement, or for a declaration of rights or duties, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

10. Headings in this Agreement are part of the Agreement to explain which provisions are applicable.

EXECUTED at Irvine, California on the date stated in the introductory paragraph.

GGFL & GGFC:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member

GALARDI GROUP FRANCHISE &
LEASING, INC., a California corporation

By: _____
Its: Vice President

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Its: Vice President

FRANCHISEE:

HAMBURGER STAND NO. _____

Name

Address

City and State

EXHIBIT J
CONSENT TO TRANSFER

CONSENT TO TRANSFER AGREEMENT

GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), and GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC"), consent to the transfer by _____ ("Transferor"), of all Transferor's right, title and interest in the assets of Hamburger Stand Unit No. _____, located at _____, to _____, Social Security # _____ ("Transferee") but these consents of GGFL and GGFC are subject to the following conditions:

1. As of the closing date, the Franchise Agreement dated _____, _____, as amended, between GGFL and GGFC and Transferor is terminated and Transferee shall execute GGFL and GGFC's current form of Franchise Agreement ("Current Franchise Agreement") in the form attached as Exhibit "A."

2. As of the closing date, the Sublease dated _____, _____, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Sublease ("Current Sublease") in the form attached as Exhibit "B."

3. As of the closing date, the Equipment Lease dated _____, _____, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Equipment Lease ("Current Equipment Lease") in the form attached as Exhibit "C."

4. As of the closing date, the Advertising Association Agreement dated _____, _____, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Advertising Association Agreement ("Advertising Agreement") in the form attached as Exhibit "D."

5. As of the closing date, the Promotional Allowance Assignment dated _____, _____, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Promotional Allowance Assignment ("Promotional Allowance Assignment") in the form attached as Exhibit "E."

6. If Transferee is a corporation, limited liability company, limited or general partnership or other entity, then as of the closing date, Transferee shall execute the Continuing Guaranty ("Continuing Guaranty") in the form attached as Exhibit "F."

7. As of the closing date, Transferor shall execute the Continuing Guaranty and Subordination Agreement ("Continuing Guaranty and Subordination Agreement") in the form attached as Exhibit "G."

8. Transferor shall indemnify, defend and hold harmless GGFL and GGFC and the respective owners, shareholders, members, managers, directors, officers, employees, Franchisees, and personnel of each of them from and against any causes of action, claims or actions brought by third parties, including but not limited to federal, state and local governments, vendors and suppliers, on account of obligations for any actions or conduct or omissions of Transferor or liabilities of Transferor occurring without act or omission, arising from or relating to the operation or related activity or omission, of Unit No. _____ by Transferor. Transferor represents and warrants that all third parties shall be timely

paid any sums due them. This indemnity shall extend to and also include attorney's fees and costs that may be incurred by GGFL and/or GGFC on account of claims or causes brought by any such third parties.

9. Except for warranties, representations, indemnities, defense and hold harmless obligations, and except for covenants in this Agreement and/or in any other written agreements between GGFL and/or GGFC and Transferor not expressly terminated herein, Transferor, GGFL and GGFC release and discharge each other and each and all persons acting by, through, under or in concert with them, or any of them, from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense of any nature whatsoever, known or unknown, fixed or contingent, which the undersigned now have or may later have from the beginning of time to the date of this Agreement, including but not limited to the matters, causes or things pertaining to or arising out of the Franchise Agreement, Sublease, Equipment Lease, Advertising Association Agreement and Hamburger Stand Promotional Allowance Assignment dated _____, _____, referenced above.

10. Each party is familiar with Section 1542 of the California Civil Code, which provides:

"A General Release does not extend to claims which his creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

11. The parties intend that this Agreement be construed as a General Release, and the parties expressly waive the provisions of Section 1542 of the California Civil Code and any right they may have to invoke the provision or any similar provision or common law rule now or in the future. Each party acknowledges that it or he or she cannot later make any further claims or seek any further recovery of any nature from the other for any matter, cause or thing, including those based on, arising out of, or in connection with the Agreements referenced above.

12. The parties intend this Agreement to be effective as the full and final accord and satisfaction of all matters described herein.

13. This Agreement benefits and binds the undersigned parties and their heirs, assigns and other successors-in-interest.

14. Transferor and Transferee each acknowledge that he or she or it may and should consult independent legal counsel for advice in connection with the negotiation and execution of this Agreement. Transferor and Transferee either (a) consulted independent legal counsel, or (b) made the decision not to do so.

15. The provisions of this Agreement shall be interpreted and construed according to their fair meanings and not strictly for or against any party.

16. Transferee agrees to execute prior to and after closing and such agreements, documents and other instruments as may be necessary or helpful to confirm or further carry out the provisions of this Agreement.

17. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby.

18. This Agreement is the entire agreement and understanding between the parties concerning its subject matter, and merges and supersedes all prior negotiations, proposed agreements and agreements, written and oral, relating thereto. Each party acknowledges that no other party nor any agent or attorney of any party, made any promise, representation or warranty whatever, express or implied, not stated herein concerning the subject matter hereof, to induce any party to execute this Agreement.

19. If any legal action or other proceeding is brought for the enforcement of this Agreement, or for a declaration of rights or duties, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

20. Time is of the essence of each agreement and covenant contained herein.

21. This Agreement shall in all respects be interpreted, enforced and governed by the laws of the State of California.

The parties have executed this Agreement on the _____ day of _____, 20____.

GGFL & GGFC:

TRANSFEROR:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member

GALARDI GROUP FRANCHISE & LEASING, INC.,
a California corporation

By: _____

Vice President

GALARDI GROUP FRANCHISE CORP.,
a California corporation

TRANSFeree:

By: _____

Vice President

Attachments – Exhibits

Attach as Exhibit A, the Current Franchise Agreement

Attach as Exhibit B, the Current Sublease

Attach as Exhibit C, the Current Equipment Lease

Attach as Exhibit D, the Advertising Agreement

Attach as Exhibit E the Promotional Allowance Assignment

Attach as Exhibit F the Continuing Guaranty

Attach as Exhibit G the Continuing Guaranty and Subordination Agreement

EXHIBIT

K

FRANCHISOR'S RIGHT TO CURE DEFAULT

(LENDER)

RIGHT TO CURE DEFAULT **(LENDER)**

This AGREEMENT is made and entered into this ____ day of _____, 20____, by and between _____ ("Franchisee"), _____ ("Lender"), GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), with reference to the following facts:

BACKGROUND

Franchisee owns a certain parcel of real property on which a Hamburger Stand® restaurant shall be constructed and operated by Franchisee. To construct the Hamburger Stand® restaurant on that property, Franchisee obtained financing from Lender. Lender placed or will place encumbrances against the property and restaurant to be constructed there. To maintain continuity of operations of the restaurant and protect and maintain the reputation of the Hamburger Stand® trademarks and of GGFC and GGFL in the restaurant business, GGFC and GGFL require that Franchisee agree and obtain Lender's agreement concerning certain rights which GGFC and GGFL shall have if Franchisee defaults under the financing and encumbrance. Accordingly, the parties have agreed as follows:

AGREEMENT

1. Lender shall give GGFC and GGFL written notice of any default by Franchisee under the financing and encumbrance no later than when Lender notifies Franchisee.
2. In any default by Franchisee, GGFC and GGFL shall have the right, but not the obligation, to perform any or all of the following acts:
 - a. Make any payment required or cure any default of Franchisee under the note or other document, within thirty (30) days after GGFC's and GGFL's receipt of the Notice of Default;
 - b. Take possession of the Hamburger Stand® restaurant and premises, provided the default is then or thereafter cured;
 - c. Assume the position of Franchisee with respect to the financing; and
 - d. Regardless of any restriction against assignment in the instruments pertaining to the financing, assign Franchisee's rights and obligation in the financing, following which GGFC and GGFL shall have no liability to further perform such obligation(s) of Franchisee, provided that GGFC and GGFL have cured any default of Franchisee and perform Franchisee's obligations to and including the date of assignment.
3. If GGFC and/or GGFL make such payment, Franchisee agrees to pay such sum to GGFC or GGFL, on demand of GGFC or GGFL, together with interest on such amount at the rate of one-and-one-half percent (1½%) per month (which equates to 18% per year) until paid in full.
4. If any party brings any action or proceeding to enforce, protect or establish any right or

remedy under this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees to be fixed by the court wherein such judgment is entered.

5. This Agreement shall bind and benefit the parties, and their respective heirs, executors, administrators, personal representatives and assigns and successors-in-interest.

6. The provisions of this Agreement shall be interpreted and construed according to their fair meanings and not strictly for or against any party.

Executed as of the date stated in the introductory paragraph:

FRANCHISEE:

GGFC & GGFL:

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Vice President

LENDER:

GALARDI GROUP FRANCHISE & LEASING, LLC
a California limited liability company

By: Its Managing Member

GALARDI GROUP FRANCHISE & LEASING,
INC., a California corporation

By: _____
Vice President

EXHIBIT L

FRANCHISOR'S RIGHT TO CURE DEFAULT
& CONSENT TO ASSIGNMENT (LANDLORD)

RIGHT TO CURE DEFAULT AND CONSENT TO ASSIGNMENT AGREEMENT
(LANDLORD)

This AGREEMENT is made and entered into this ____ day of _____, 20__, by and between _____ ("Franchisee"), _____ ("Landlord"), GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC"), and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), with reference to the following facts:

BACKGROUND

Landlord and Franchisee have or shall enter into a lease dated _____, 20__ for certain premises where a Hamburger Stand® restaurant shall be operated, located at _____ ("Lease"). To establish the restaurant on the premises and maintain continuity of operations of the restaurant and to protect and maintain the reputation of the HAMBURGER STAND trademarks and of GGFC and GGFL in the restaurant business, GGFC and GGFL require Franchisee to agree and obtain the agreement of Landlord concerning certain rights which GGFC and GGFL shall have if Franchisee defaults under the Lease or under any agreements between Franchisee and GGFC and/or GGFL. Accordingly, the parties have agreed as follows:

AGREEMENT

1. Landlord and Franchisee agree that the lease shall contain and is hereby deemed to be amended to include the following provision:

"If Tenant is at any time in breach of default or noncompliance under this lease, Landlord shall give written notice of the default, breach or noncompliance ("Default") to GGFC and GGFL, at the following address; and wherever in this lease it shall be required or permitted that notice or demand shall be given or served by Tenant or Landlord, such notice or demand shall also be given or served at the same time to:

Galardi Group Franchise Corp. and
Galardi Group Franchise & Leasing, LLC
7700 Irvine Center Drive, Suite 550
Irvine, California 92618

The notice shall state conspicuously "Notice of Default at Hamburger Stand Franchise Location." On notification by Landlord to GGFC and GGFL that Tenant is in Default, GGFC and GGFL shall have the right to cure the Default within forty-five (45) days after, and GGFC and GGFL shall have the right to take possession of the premises provided the Defaults are cured; provided further that so long as GGFC and GGFL perform the obligations of Tenant hereunder, no foreclosure of, deed given in lieu of foreclosure of, or sale under any encumbrance created by Landlord shall affect GGFC's or GGFL's assumption of Tenant's rights under this lease and Landlord will attorn GGFC and GGFL. GGFC and GGFL shall be permitted to assign this lease following which GGFC and GGFL shall have no liability to further perform the obligations of Tenant hereunder, provided that GGFC and GGFL have cured any default of Tenant and continue to pay the rent to and including the date of such assignment."

2. Franchisee grants to GGFC and GGFL the right, but not the obligation, to invoke and effect an assignment of the lease to GGFC and/or GGFL in the event Franchisee is in default under any agreement between Franchisee and GGFC and/or GGFL, including but not limited to the Franchise Agreement dated _____, 20__, the Advertising Association Agreement dated _____, 20__, the Equipment Lease dated _____, 20__ or other agreement (all such agreements collectively referred to as "GGFL Agreements"). Landlord consents to such assignment.

3. So long as there shall exist no default by Franchisee in the payment of any indebtedness or performance of any obligation under the GGFL Agreements or other instruments securing such indebtedness or obligations, Franchisee shall have the right to quiet possession as set forth in the lease and all other rights and obligations pursuant to the lease. Upon such default, however, GGFC and/or GGFL may invoke and effect the assignment, and Landlord consents to the assignment, and GGFC and/or GGFL shall have the right to possession of the premises and have all rights and obligations of Tenant under the lease, provided that GGFC and/or GGFL notify Landlord in writing of the date that the assignment is effective.

4. Franchisee waives any notice requirements regarding the assignment provided for in Sections 2 and 3 above. After the assignment, GGFC and GGFL shall have the right to re-assign the lease or sublease the premises, provided that GGFC or GGFL remain liable under the lease.

5. The lease is hereby deemed to be amended by and as provided in this Agreement. Landlord and Franchisee shall amend or execute any documents (including but not limited to the lease) as necessary to effectuate the purposes of this Agreement. Absence of such separate amendment to such documents shall not vitiate the amendment accomplished by this Agreement.

6. Franchisee shall perform each and every condition and covenant of the lease and give prompt notice to GGFL and GGFC of any notice of default by Landlord received by Franchisee under the lease. Franchisee shall, at Franchisee's sole cost and expense, enforce, short of termination of the lease, Landlord's performance or observance of each and every covenant and condition of the lease. Franchisee shall not modify nor in any way alter the terms of the lease or terminate the term of the lease nor accept a surrender thereof unless required to do so by the terms of the lease. Franchisee shall appear and defend any action growing out of or in any manner connected with the lease or the obligations or liabilities of Franchisee pursuant thereto.

7. If Franchisee fails to make a payment pursuant to the lease or do any act as herein provided, GGFC and GGFL, without obligation to do so and without notice to or demand on Franchisee and without releasing Franchisee from any obligation, may make or do the same, including specifically, without limiting its general powers, appearing in and defending any action purporting to effect the lease or the rights and powers of GGFC or GGFL and performing any obligation of the Franchisee in the lease, and in exercising any such powers, paying necessary costs and expenses, employing counsel and incurring and paying reasonable attorneys' fees. Franchisee shall pay immediately on demand all sums expended by GGFC and GGFL under this section, together with interest on those sums at the lower of one-and-one-half percent (1½%) per month (which equates to 18% per year) or the highest rate permitted under applicable law.

8. The rights of GGFC and/or GGFL pursuant to this Agreement are cumulative and additional to any rights GGFC and/or GGFL may have in law or in equity.

9. At the request of any of the parties, the signatures of the parties shall be duly notarized and this Agreement shall be recorded as necessary.

10. If any party brings any action or proceedings to enforce, protect or establish any right or remedy under this Agreement, the prevailing party shall be entitled to recover the costs of suit, including but not limited to reasonable attorney's fees and reasonable interest at the applicable rate stated in Section 7.

11. This Agreement shall bind and benefit the parties, and also their respective heirs, executors, administrators, personal representatives, and assigns and successors-in-interest.

Executed as of the date stated in the introductory paragraph.

FRANCHISEE:

LANDLORD:

GGFC & GGFL:

GALARDI GROUP FRANCHISE CORP.,
a California corporation

By: _____
Robert E. Mathews, Vice President

GALARDI GROUP FRANCHISE & LEASING, LLC,
a California limited liability company

By: Its Managing Member
GALARDI GROUP FRANCHISE & LEASING, INC.,
a California corporation

By: _____
Robert E. Mathews, Vice President

EXHIBIT M
DIRECT DEBIT AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)

(COMPANY NAME)

NAME OF BANK _____

NAME OF BRANCH, IF ANY _____

ADDRESS OF BANK _____

ACCOUNT IN THE NAME OF _____

ACCOUNT # _____

The undersigned requests and authorizes you to pay and charge to the above account the undersigned checks drawn on said account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in said account to pay the same upon presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of _____ to sign such checks. This authority is to remain in effect until revoked by me in writing and until you receive such notice, I agree that you shall be fully protected in honoring any such check.

It is further agreed that if any such check be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

(Date)

(Bank Signature of Depositor)

(Attach Voided Check Here)

EXHIBIT N

OPERATIONS MANUAL TABLE OF
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HAMBURGER STAND OPERATIONS MANUAL

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	Total	550

EXHIBIT O

LIST OF CURRENT & DEPARTED
FRANCHISEES

**HAMBURGER STAND - LIST OF FRANCHISES
(As of December, 2019)**

CALIFORNIA

El Centro

HS# 385 Richard Jeffries
825 South Imperial Avenue, El Centro, CA 92243 - (760) 353-4800 (F)

Stockton

HS# 485 Abe's Burgers, Inc.
4105 East Main Street, Stockton, CA 95215 - (209) 463-9787 (F)

COLORADO

Aurora

HS# 646 Usamah Hassan
938 South Havana Street, Aurora, CO 80012 (303) 344-1306 (F)

ARIZONA

Tucson

P.M. Sticker, Inc.
HS# 513
625 West Ajo Way, Tucson, AZ 85713 - (520) 746-9589 (F)
HS# 795
1710 West Valencia Road, #170, Tucson, AZ 84746 – (520) 294-3131 (F)

Yuma

HS# 556 Richard Jeffries
2820 S. Pacific Avenue, Yuma, AZ 85365 – (928) 726-9873 (F)

WYOMING

Casper

HS# 451 The Original Hamburger Stand, Inc.
3930 East 2nd Street, Casper, WY 82609 - (307) 234-8604 (F)

HAMBURGER STAND DEPARTED FRANCHISEES
(As of December 2019)

Franchisees whose franchises have terminated, canceled, not renewed or who have voluntarily or involuntarily ceased to do business pursuant to a franchise agreement within the last 12 months:

EXHIBIT P
ADVERTISING ASSOCIATIONS

HAMBURGER STAND ADVERTISING ASSOCIATION

Advertising Association	President	Address/Phone/Email	Contribution Rate
Denver Advertising Association	Machel Cook	7700 Irvine Center Dr. #550 Irvine, CA 92618 (949) 892-2671 mcook@ galardigroup.com	3%

EXHIBIT Q
STATE ADMINISTRATORS

STATE ADMINISTRATORS

Listed below are names, addresses, and telephone numbers of state and federal agency personnel who have responsibility for franchising disclosure and registration laws and selected business opportunity laws. Entries for the Federal Trade Commission appear at the end of the Exhibit.

California

Department of Business Oversight:

Los Angeles

320 West 4th Street

Suite 750

Los Angeles, California 90013-2344

(213) 576-7500

Sacramento

1515 K Street, Suite 200

Sacramento, California 95814-4052

(916) 445-7205

San Diego

1350 Front Street, Room 2034

San Diego, California 92101-3697

(619) 525-4233

San Francisco

One Sansome Street, Suite 600

San Francisco, CA 94104-4428

(415) 972-8559

Commissioner of Business Oversight:

Jan Lynn Owen

Federal Trade Commission

Division of Marketing Practices

Bureau of Consumer Protection

Pennsylvania Avenue at 6th Street, NW

Washington, D.C. 20580

(202) 326-3128

EXHIBIT R
STATE DISCLOSURE ADDENDA

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

OUR WEBSITE IS: WWW.HAMBURGERSTAND.COM

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

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

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).

Neither the franchisor, any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Each of the agreements contains a provision for termination on bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. 101 et seq.).

Each of the agreements requires application of the laws and forum of Orange County, California. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the franchise agreement is inconsistent with the law, the law will control.

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

Each of the agreements contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release of claims 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).

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

The Operator Agreement does not prevent modification. But it may only be modified by a written agreement between us. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the California Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

EXHIBIT S

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Robert E. Mathews
Galardi Group Franchise Corp.
7700 Irvine Center Drive, Suite 550
Irvine, California 92618

CT Corporation System
818 West Seventh Street
Los Angeles, California 90017

California Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

EXHIBIT T
SBA ADDENDUM



ADDENDUM TO FRANCHISE¹ AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on _____, 20____, by and between _____ (“Franchisor”), located at _____, and _____ (“Franchisee”), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

¹ While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

EXHIBIT U
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

<u>State</u>	<u>Effective Date</u>
California	May 7, 2019
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

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 V
RECEIPTS

RECEIPT
(Franchisee's Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF GALARDI GROUP FRANCHISE CORP. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU FOURTEEN (14) CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED SALE.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE (5) BUSINESS DAYS BEFORE YOU SIGN THE FRANCHISE AGREEMENT.

IF GALARDI GROUP FRANCHISE CORP. DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, 320 WEST 4TH STREET, SUITE 750, LOS ANGELES, CALIFORNIA 90013-2344.

THE FRANCHISE SELLER FOR THIS OFFERING IS TED MILBURN, DIRECTOR OF U.S. FRANCHISE DEVELOPMENT; AND YOU MAY HAVE ADDITIONAL CONTACT WITH ROBERT MATHEWS, VICE PRESIDENT AT GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CALIFORNIA 92618, TELEPHONE (949) 892-2629 and TELEPHONE (949) 892-2684, respectively. AREA REPRESENTATIVES INCLUDE ZAHEED UMATIYA, AJAZ PUNJANI, SUNNY PUNJANI, ASIF PUNJANI, AND ASLAM PUNJANI.

ISSUANCE DATE FEBRUARY 11, 2020

I received a Disclosure Document dated _____, 2020 that included the following Exhibits:

A. Financial Statements	K. Franchisor Right to Cure Default (Lender)
B. Franchise Agreement	L. Franchisor Right to Cure Default & Consent to Assignment (Landlord)
C. Offer to Purchase	M. Direct Debit Agreement
D. Sublease	N. Operations Manual Table of Contents
E. Equipment Lease	O. List of Current & Departed Franchisees
F. Promissory Note	P. Advertising Association
G. Guaranty	Q. State Administrators
H. Advertising Association Agreement	R. State Disclosure Addenda
I. Promotional Allowance Assignment	S. Agents for Service of Process
J. Consent to Transfer	T. SBA Addendum
	U. State Effective Dates
	V. Receipts

Dated: _____

(Signature)

(Printed Name)

RETURN THE DATED AND SIGNED RECEIPT TO GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CALIFORNIA 92618, FACSIMILE TELEPHONE NUMBER (949) 892-2615.

RECEIPT
(Franchisor's Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF GALARDI GROUP FRANCHISE CORP. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU FOURTEEN (14) CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED SALE.

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I. Promotional Allowance Assignment	S. Agents for Service of Process
J. Consent to Transfer	T. SBA Addendum
	U. State Effective Dates
	V. Receipts

Dated: _____

(Signature)

(Printed Name)

RETURN THE DATED AND SIGNED RECEIPT TO GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CALIFORNIA 92618, FACSIMILE TELEPHONE NUMBER (949) 892-2615.