FRANCHISE DISCLOSURE DOCUMENT

HNJ Franchise Inc.
a Texas corporation
4825 Magna Carta Boulevard
Grand Prairie, Texas 75052
Attention: Tim Nguyen
214-673-4907
Tim@hotnjuicycrawfish.com
http://www.hotnjuicycrawfish.com

The franchise is for the establishment and operation of restaurants that offer seafood, including crawfish with Louisiana-style seasoning, other seasoned or spiced meats, and related menu items, products, and services to consumers for dine-in and take-out consumption ("HNJ Restaurant" or "Restaurant").

The total investment necessary to begin operation of an HNJ Restaurant ranges from $763,500 to $1,417,700. These totals include between $71,000 and $104,200 that must be paid to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Tim Nguyen at 4825 Magna Carta Boulevard, Grand Prairie, Texas 75052 and 214-673-4907.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Date of Issuance: April 24, 2019

STATE COVER PAGE

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

Call the state franchise administrator listed in Attachment A for information about the franchisor or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION ONLY IN TEXAS. OUT OF STATE MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE AND LITIGATE WITH US IN TEXAS THAN IN YOUR HOME STATE.

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

3. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE MAY BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

4. YOU MUST PURCHASE ALL OR NEARLY ALL OF THE INVENTORY AND EQUIPMENT THAT ARE NECESSARY TO OPERATE YOUR BUSINESS FROM THE FRANCHISOR, ITS AFFILIATES, OR SUPPLIERS THAT THE FRANCHISOR DESIGNATES, AT PRICES THE FRANCHISOR OR THEY SET. THESE PRICES MAY BE HIGHER THAN PRICES YOU COULD OBTAIN ELSEWHERE FOR THE SAME OR SIMILAR GOODS.

5. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE’S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

6. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $763,500 TO $1,417,700. THIS AMOUNT EXCEEDS THE FRANCHISOR’S STOCKHOLDERS EQUITY AS OF DECEMBER 31 2018, WHICH IS $63,659.

7. THERE MAY BE OTHER RISKS CONCERNING THIS 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.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	__________, 2019
Illinois	__________, 2019
Indiana	__________, 2019
Maryland	__________, 2019
Michigan	April 24, 2019
Minnesota	__________, 2019
New York	__________, 2019
Virginia	__________, 2019
Wisconsin	__________, 2019

MICHIGAN NOTICE

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(a) A prohibition against you joining an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.

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

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

(i) The term of the franchise is less than five years; and

(ii) You are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or if you do not receive at least six months advance notice of our intent not to renew the franchise.

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

(f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.

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

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

(ii) The fact that the proposed transferee is a competitor of ours.

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

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

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

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913; 517-373-7117.

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

The Franchisor and any Parents, Predecessors, and Affiliates

The franchisor is HNJ Franchise Inc., referred to in this disclosure document as "we," "us," or "our." We refer to the person interested in buying the franchise as "you" or "your." If you are a corporation, partnership, limited liability company, or other entity, then certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were organized in Texas as a corporation on July 26, 2018. Our principal business address is 4825 Magna Carta Boulevard, Grand Prairie, Texas 75052.

We do business under our corporate name and the name "HNJ" and the name "Hot n Juicy Crawfish." Our agents for service of process in the states which require franchise registration and in which we are registered are listed in Attachment B.

We sell franchises for the establishment and operation of restaurants that offer seafood, including crawfish with Louisiana-style seasoning, other seasoned or spiced meats, and related menu items, products, and services to consumers for dine-in and take-out consumption ("Restaurants" or "HNJ Restaurants"), which do business under the mark "HNJ". We do not operate HNJ Restaurants. Our affiliate, HNJ Group Inc. ("HNJ Group), operates HNJ Restaurants in Nevada, Arizona, California, Florida, Virginia, New York, and the District of Columbia ("Affiliate-Owned Restaurants"). Our Affiliate-Owned Restaurants were owned by our owners, Tim Nguyen and Laina Vo, until July 2018, at which time, they were transferred to our affiliate, HNJ Group Inc. HNJ Group Inc. has not offered franchises for this business and has not offered franchises in any other line of business. HNJ Group shares our principal business address.

HNJ Group is also the only approved supplier to our franchisees of certain proprietary seasonings required for use in the Restaurants and other food and non-food items we may require from time to time.

Our affiliate, Flowerhorn, licenses to us the right to use the Marks and the proprietary System (both defined below). Flowerhorn has not offered franchises for this business and has not offered franchises in any other line of business. Flowerhorn shares our principal business address.

We began offering franchises on October 29, 2018. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Except as described above, we have no affiliates, parents, or predecessors.

The Franchise

We offer qualified applicants franchises for restaurants that operate under the HNJ Restaurant System ("System"). The System includes comprehensive methods and procedures for the establishment, management, and operation of HNJ Restaurants, including confidential information, operations manuals, trademarks, and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which we may change, improve, and modify from time to time.

You must operate your HNJ Restaurant under the "HNJ" mark and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System ("Marks").

The Franchise Agreement (Exhibit B to this disclosure document) gives you the right to establish and operate one Restaurant at a specified location within a non-exclusive Designated Area.

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Principals' Guaranty and Assumption Agreement ("Guaranty"), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. Those of your Principals who are not required to sign the Guaranty, your Restaurant Manager, and any managers or other employees that we request will each sign a Confidentiality Agreement and Ancillary Covenant Not to Compete, (with Principals' undertakings if applicable), in the form attached to the Franchise Agreement.

You must designate an "Operating Principal." Your Operating Principal is the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Operating Principal. Your Operating Principal will sign the Guaranty.

Competition

The market for restaurants is well-established and highly competitive. There is active price competition among all restaurant categories, as well as competition for management personnel and for attractive commercial real estate sites suitable for fast-casual restaurants. You must expect to compete with other restaurants offering seafood, including crawfish, and related menu items and other competing concepts. Competitors may be locally-owned or large regional or national chains. The restaurant business is also affected by changes in consumer tastes, demographics, traffic patterns and economic conditions.

Industry-Specific Regulation

The food service and restaurant industries are heavily regulated. Many of the laws, rules, and regulations that apply to businesses generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws, and the Occupational Safety and Health Act, also apply to food service facilities. However, other laws, rules, and regulations have particular applicability to food service facilities.

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

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

Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans fats and sodium contained in a food item. Additionally, the U.S. Food and Drug Administration has issued regulations that require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request.

You will be required to obtain a liquor license to operate the Restaurant. State and local laws, regulations, and ordinances vary significantly in the procedures, difficulty, and costs associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by liquor liability (dram shop) laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption.

You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2
BUSINESS EXPERIENCE

Luyen (Laina) Vo: CEO and Co-Founder

Laina Vo is our CEO and Co-Founder. She is also CEO and Co-Founder of HNJ Group Inc. She has held those positions since the formation of each company, which was July 26, 2018. Laina co-founded the HNJ Restaurant concept in January 2007.

Tuyen (Tim) Nguyen: Director and Co-Founder

Tim Nguyen is our Director and Co-Founder. He is also a Director and Co-Founder of HNJ Group Inc. He has held those positions since the formation of each company, which was July 26, 2018. Tim co-founded the HNJ Restaurant concept in January 2007.

Shinnee (Sammi) Lim: Operations Manager

Sammi Lim has been our Operations Manager since our formation since July 26, 2018, and she has served as an Operations Manager for the HNJ Restaurant concept since January 2011. Sammi is based in Washington DC.

Kayla Muscari: Franchise Development Manager

Kayla Muscari has been our Franchise Development Manager since our formation on July 26, 2018. Before returning to work with the HNJ Restaurant concept on February 2018, Kayla was an Operations Manager for the HNJ Restaurant concept from February 2012 until July 2017. From July 2017 to February 2018, she was the Reception Manager for Vegas Weddings in Las Vegas, Nevada.

Unless otherwise noted, all of the individuals listed above are based in Grand Prairie, Texas.

ITEM 3
LITIGATION

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

Unless otherwise indicated below, all fees and costs are non-refundable and are imposed uniformly on all franchisees.

Application Fee

As part of our application process, you will pay us an application fee of $5,000. If you and we enter into a Franchise Agreement, we will apply $4,500 toward the initial franchise fee described below. If you and we do not enter into a Franchise Agreement, we will refund you $4,500 within 30 days after notifying you that we will not be entering into a Franchise Agreement with you.

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee of $50,000, minus the application fee credit described above. If you sign a second and additional HNJ Restaurant Franchise Agreement with us at the same time as you sign at least one other HNJ Restaurant Franchise Agreement, you will pay us an initial franchise fee of $37,500 for each of the second and additional Franchise

Agreements. We do not discount the initial franchise fee if additional agreements are entered into at different times.

Site Evaluation

We will conduct one, in-market site selection/site evaluation visit at no cost, but you must reimburse us for our out-of-pocket costs, including but not limited to our travel-related expenses and any costs we incur to obtain site analytics services, which we estimate to be $1,000 to $4,200. If you request, or if we deem necessary, additional in-market site selection/site evaluation visits, then you must pay us $300 per day for each visit, in addition to the out-of-pocket costs described above. Lodging must be at a mid-range hotel or higher.

Initial Inventory

Before you open your Restaurant, you must purchase our recommended level of initial inventory of proprietary seasonings from HNJ Group. We estimate the cost of your initial inventory of proprietary seasonings will between $20,000 to $50,000.

ITEM 6
OTHER FEES

Type of fee(1)	Amount	Due Date	Remarks
Royalty Fee	4% of Gross Sales	On or before each Thursday for the preceding week	See Note 2 for the definition of Gross Sales. We require you to pay the royalty fee by electronic funds transfer.
Advertising Assessment (including Advertising Fund contribution and local advertising requirement)	Up to 4% of Gross Sales	The Advertising Fund contribution is due on or before each Thursday for the preceding week.	See Note 2 for the definition of Gross Sales. Currently, you must pay 2% of Gross Sales to the Advertising Fund and spend 2% of Gross Sales on local advertising. We may require you to allocate differing amounts to local advertising (individually or through a Cooperative) or to the Fund. We require you to pay the Advertising Fund portion of the Advertising Assessment by electronic funds transfer.
Advertising and Promotional Material	Reasonable fee based on our cost	As invoiced	We may provide to you promotional and advertising materials that we develop periodically for a reasonable cost.
Internet Listing	Cost	On demand	You will place and pay the cost of Internet listings in the websites and online directories and categories as we specify.

Type of fee[1]	Amount	Due Date	Remarks
Internet / Technology Fee	Cost	On demand	This fee will fund technology development and associated technology support.
Merchandise for Resale; Equipment; Decor Items	Reasonable cost	On demand	We or our affiliate may provide to you at a reasonable cost certain collateral merchandise for resale that identifies the system (for example, caps, and t-shirts); equipment; and decor items.
Website Costs	Cost	When billed	If we include on our Website an interior Webpage related to your Restaurant, you are responsible for your costs related to preparing and maintaining the interior Webpage.
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Additional Training	The then-current per diem fee for training, plus expenses and costs of providing the training, which will include the travel and lodging expenses of our representatives conducting the training. Our current fee is $300 per person per day, plus a $75 per diem per person. Seminars provided by third parties will be the cost of these third parties charge.	Before additional training	You must also pay the expenses of your personnel attending training. Periodic refresher training will be required and training will also be required for a replacement or successor Operating Principal or Restaurant Manager. Lodging must be at a mid-range hotel or higher.

Type of fee[1]	Amount	Due Date	Remarks
On-site Remedial Training	The then-current per diem fee for remedial training, plus expenses and costs of providing the training, which will include the travel and lodging expenses of our representatives conducting the training. Our current fee is $300 per person per day, plus a $75 per diem per person.	When billed	If you ask, or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Restaurant. Lodging must be at a mid-range hotel or higher.
Transfer Fee	75% of our then-current initial franchise fee that we generally charge to new HNJ Restaurant franchisees, plus our actual costs and expenses associated with the transfer, including but not limited to reasonable legal and accounting fees and costs.	With transfer application	If an individual or partnership transfers rights to a corporation controlled by the same interest holders, the transfer fee is limited to reimbursement of our out-of-pocket costs. If the transferee is a then-current HNJ Restaurant franchisee that is approved by us (in our sole discretion) for additional expansion, the transfer fee will be 50% of our then-current initial franchise fee.
Securities Offering Fee	$10,000 plus our reasonable costs and expenses associated with the proposed offering.	When billed	We limit our review to the manner in which the offering materials treat your and our relationship.
Renewal Fee	25% of our then-current initial franchise fee we require to be paid in connection with a new HNJ Restaurant franchise agreement, plus our actual costs and expenses associated with the transfer, including, but not limited to, legal and accounting fees and costs.	Prior to or at signing of renewal Franchise Agreement	You must give us at least 12 months’ and not more than 18 months’ notice to renew and meet other renewal conditions.

Type of fee[1]	Amount	Due Date	Remarks
Manual Replacement Fee	$500	When billed	We provide one set of Manuals at no charge.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us.
Audit Fee	Cost of audit	When billed	Payable if an audit shows you have understated any amount owed to us by 2% or more.
Intranet Fee	A reasonable amount based on your usage	When billed	We may charge you a reasonable fee per month per Restaurant for using our Intranet.
Software Fee	A reasonable amount based on our expenses if we provide the software; cost charged by supplier otherwise	When billed	Currently, the software required to operate the required POS is $1,000 to $2,000 per year.
Insurance Fee	A reasonable amount based on our expenses	On demand	If you fail to maintain the required insurance, we may (but are required to) obtain it for you. If we do, we will charge you a fee, plus our expenses.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement.
Mystery Shopper Program	The then-current mystery shopper program fee, plus any expenses. Our current mystery shopper program fee averages $180 to $200 per month.	On demand	You must pay the mystery shopper program fee and any expenses associated with the program.
Quality Assurance Audit Fees	Currently, we do not charge a fee or collect reimbursement of any expenses	On demand	If we implement a quality assurance audit program, you must pay the quality assurance audit fee and any expenses associated with the program, if any.

Type of fee[1]	Amount	Due Date	Remarks
Failure to Honor Electronic Funds Transfer Fee	$100 per occurrence, plus financial institution service charges	On demand	If your bank fails to honor any electronic funds transfer to us for any reason, we will charge you a fee for each such occurrence, and you must also reimburse for any service charges assessed by the financial institution.
Force Majeure	Will vary	On demand	Payable during relocation or reconstruction of the Restaurant after a force majeure event.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) Gross Sales is the total selling price of all services and products and all income of every other kind and nature related to the HNJ Restaurant (including, without limitation, income related to catering operations and special events), whether for cash or credit and regardless of collection in the case of credit. Gross Sales includes (a) the full value of meals provided to your employees as an incident to their employment (except you may credit the value of any discounts against Gross Sales during the week in which the meals are provided), and (b) all proceeds from the sale of coupons, gift certificates, gift cards, or vouchers (but their retail price may be credited against Gross Sales during the week in which the coupons, gift certificates, gift cards, or vouchers are redeemed). Gross Sales does not include (i) receipts from any public telephone, vending machine, or video games installed in your HNJ Restaurant, except for your share of the revenues; (ii) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (iii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your HNJ Restaurant; (iv) tips or gratuities paid directly by Restaurant customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities; and (v) returns to shippers or manufacturers.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount Low – High	Method of payment	When Due	To whom payment is to be made
Initial Franchise Fee (1)	$50,000	Lump Sum	Upon signing Franchise Agreement	Us
Rent and Security and Utility Deposits (2)	$60,000 to $100,000	As Arranged	As Arranged	Lessor and utility providers

Type of expenditure	Amount Low – High	Method of payment	When Due	To whom payment is to be made
Leasehold Improvements (2)	$410,000 to $820,000	As Arranged	As Arranged	Contractor
Furniture, Fixtures and Equipment (3)	$90,000 to $145,000	As Arranged	As Invoiced	Suppliers
Signage (4)	$10,000 to $15,000	As Arranged	As Invoiced	Suppliers
Business Licenses and Permits (5)	Varies	As Arranged	As Arranged	Government Agencies; your attorneys or other third party
Initial Training Costs (6)	$5,000 to $10,000	As Arranged	As Invoiced	Employees and Suppliers
Site Evaluation (7)	$1,000 to $4,200	As Arranged	As Invoiced	Us
Opening Team (8) Expenses	$2,500 to $3,500	As Arranged	As Invoiced	Us
Computer Hardware and Software (9)	$15,000 to $25,000	As Arranged	As Arranged	Suppliers
Initial Inventory/Supplies (10)	$20,000 to $30,000	As Arranged	As Arranged	Suppliers
Proprietary Seasonings	$20,000 to $50,000	Lump Sum	As Invoiced	Us
Professional Services (11)	$20,000 to $40,000	As Arranged	As Arranged	Accountants, Lawyers, Real Estate Brokers, etc.
Grand Opening Expenses (12)	$5,000 to $10,000	As Arranged	As Arranged	Suppliers
Insurance (13)	$5,000 to $15,000	As Arranged	As Arranged	Insurance Broker
Liquor License (14)	Varies	As Arranged	As Invoiced	Governmental Authority, attorneys or other third parties
Additional Funds – For Initial 3-Month Period (15)	$50,000 to $100,000			Suppliers
TOTAL	$763,500 to $1,417,700			

Notes:

(1) This amount assumes that you are signing only one Franchise Agreement. If you are signing more than one Franchise Agreement at the same time, the initial franchise fee for each of the second and

additional Franchise Agreements signed at the same time will be $37,500 each, and you will pay more than the $50,000 described above.

(2) This is an estimate of the rent and security deposits for the start-up phase of your business. We estimate the start-up phase to be 3 months from the date you open for business. HNJ Restaurants are typically located in commercially zoned shopping or entertainment areas. Due to the cost of land acquisition and new construction, the premises for HNJ Restaurants are normally leased. These amounts assume that you will lease the premises for the Restaurant and do not include costs of land acquisition and construction of a building. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans (including professional fees for one of the design professionals we have pre-approved) to a facility containing approximately 4,000 square feet. The leasehold improvement ranges will be affected by various factors like the location of the Restaurant, local market conditions, and whether you finance the expense or pay in cash. The estimates assume that the landlord will provide connections to adequate electrical, gas, water, and sewer service. Your actual costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your landlord. If your landlord contributes to the cost of finish-out, total leasehold improvement costs could be reduced by up to $10 per square foot. These costs are our best estimate based on commercial leasing and remodeling/finish-out rates that our affiliate has experienced with the company-owned HNJ Restaurants. These estimates may vary substantially based on your ability to negotiate with your landlord and your financial strength, as well as on local commercial leasing and labor rates and other local conditions.

(3) These amounts include the cost of the furniture, fixtures, equipment, smallwares, decor items, office equipment and office supplies required for your HNJ Restaurant. The actual amount may vary depending on whether you finance these items or pay in cash.

(4) This is the estimated cost of the interior and exterior signage for the Restaurant.

(5) We are unable to estimate the cost of your licenses and permits because of wide variations in costs depending on factors like location and the ability to move a license.

(6) We provide initial training to your initial Operating Principal, Restaurant Manager, and other personnel that we designate at no additional charge. Therefore, these amounts include only your out-of-pocket costs for the training of these people. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals, and wages. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode, and distance of transportation. Estimated wages for your Restaurant Manager and other designated personnel, while in training, are included, but wages for the Operating Principal, while in training, are not included. Lodging must be at a mid-range hotel or higher.

(7) We will conduct one in-market site selection/site evaluation visit at no cost, but you must reimburse us for our out-of-pocket costs, including but not limited to our travel-related expenses and any costs we incur to obtain site analytics services. If you request, or if we deem necessary, additional in-market site selection/site evaluation visits, then you must pay us $300 per day for each visit, in addition to the out-of-pocket costs described above. The low end of the range is an estimate for one in-market visit, and the high end is an estimate for three in-market visits. Lodging must be at a mid-range hotel or higher.

(8) We will provide you pre-opening and opening assistance for an initial seven-day period. Currently, we send two people to provide the pre-opening and opening assistance. We do not charge a fee for this assistance, but you must reimburse us our travel-related costs, plus pay us a $75 per diem per person, the total of which we estimate to be $2,500 to $3,500. If you request, or we deem it necessary, to provide on-site assistance beyond the initial seven-day period, then you must pay us all of our travel-related expenses plus a $75 per diem per person, plus $300 per day per person as a training fee. (Hotel accommodations will be at mid-range or higher lodging facilities.)

(9) This amount includes the cost of the point-of-sale system (software and hardware) and other computer hardware and software that you must use in the operation of your HNJ Restaurant.

(10) This estimate also includes the cost of food, beverages, condiments, napkins, bags, and supplies for approximately the first 2 to 10 days of operations.

(11) This estimate is for the cost to establish an entity to hold the franchise and review the franchise documentation and for professional services related to acquiring and reviewing a lease for the Restaurant premises. Some real estate brokers may require you to pay a fee for assistance in locating a site for the Restaurant in lieu of, or in addition to, the standard commission the real estate brokers receive. The high end of the estimate also includes the estimated fee to engage a real estate broker assist you in locating a site for the Restaurant. The cost of professional services can vary widely.

(12) You must carry out a grand opening promotion for the Restaurant in compliance with our written specifications. We must approve all advertising items, methods, and media. You must spend a minimum of $5,000 during the period of time beginning 30 days immediately before, and ending 60 days immediately following, the opening date of your Restaurant for grand opening promotion of your Restaurant. The amount you spend will not be credited against any other amount you must pay, including the advertising fund. This estimate includes the required grand opening expenditure during the initial 3 month start-up phase (one month prior to opening and 2 months following the opening date).

(13) This amount represents an estimate of your first month's payment on your annual insurance premiums. You must obtain the insurance coverage described in the Franchise Agreement. We must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Restaurant, your claims history, and other factors.

(14) We are unable to estimate the cost of your liquor license because of wide variations in costs depending on factors like location, the availability of liquor licenses, the ability to move a license, the market value of liquor licenses, the licensing authority involved and the procedure and requirements for obtaining a liquor license.

(15) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open for business. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience, and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied on the experience of our Affiliate-Owned HNJ Restaurant to compile these estimates. You should review these figures carefully with your business advisor.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You generally have no obligation to purchase or lease from us, our affiliates, or other designated third-party suppliers any of the products, services, supplies, fixtures, equipment (including computer hardware and software and electronic cash register systems), inventory, or real estate used in establishing or operating the Restaurant. However, there are some exceptions, as follows:

Initial Inventory of Proprietary Seasonings

You must purchase from our required supplier the recommended level of initial inventory of proprietary seasonings. Our current required supplier for seasonings used in HNJ Restaurants is HNJ Group.

Point-of-Sale Systems and Credit Card Processing

You must purchase the point-of-sale ("POS") system software and related hardware and services we require for your Restaurant. Currently, you must purchase and use the Aloha POS. You must also purchase credit card processing services from a source we designate, which is currently Bank of America.

Food, Paper, and Cleaning Supplies

You must purchase all non-produce food supplies, all paper and packaging supplies, and all cleaning supplies from suppliers that we designate. The current designated supplier is US FOODS.

Restaurant Equipment

You must purchase all kitchen supplies and smallwares for your Restaurant from our designated suppliers, which is currently US FOODS.

Decor and Fixtures

You must purchase fixtures and Restaurant decor from our designated supplier, which is currently HNJ Group.

Security Software and Camera System

You must purchase a digital surveillance system for your Restaurant from our designated supplier, which is currently HNJ Group.

System Merchandise

We have the right to make available to you for resale in the Restaurant merchandise identifying the System. This may include HNJ Restaurant memorabilia, like T-shirts, cups, and mugs. If we make this type of merchandise available, we may require you to purchase it from us, our affiliate, or a supplier we designate in amounts necessary to meet your customer demand. You must maintain at least $500 worth of inventory of these types of items at all times.

Our designated supplier, HNJ Group, is owned by Laina Vo, our CEO and Co-Founder, and Tim Nguyen, our Director and Co-Founder. Otherwise, none of our officers owns an interest in any privately held suppliers, or a material interest in any publicly held suppliers, of the HNJ Restaurant franchise system. From time to time, our officers may own non-material interests in publicly held companies that may be suppliers to our franchise system.

Purchases According to Specifications; Approved Suppliers

You must comply with all of our standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products used or offered for sale at the Restaurant. We formulate our standards and specifications based on a variety of factors, including our affiliate's experience in operating the company-owned Restaurant, and we make those standards and specifications available to you. If we have approved suppliers (including manufacturers, distributors, and other sources) for any food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software) and other products or services used or offered for sale at the Restaurant, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications, who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases and leases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases and leases.

Our affiliate, HNJ Products, is currently the only approved supplier of proprietary seasonings for our franchisees, but we may, in our sole discretion, require these items to be purchased exclusively from us or other of our affiliates or from third-party suppliers or distributors. We and our affiliates may derive revenue based on your purchases and leases (including from charging you for products and services that we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve).

Site Selection and Construction

You must select a site and submit to us within 60 days of signing the Franchise Agreement evidence that you have satisfied our site selection requirements and a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. No lease will be approved by us unless an addendum to the lease, containing covenants, in substantially the form of those in Exhibit F of the Franchise Agreement, is attached to and incorporated in the lease. You must hire, at your expense, an architect we approve to adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Restaurant and provide them to us before you provide them to the landlord and any applicable government authorities.

We have the right to review your plans and must notify you of our objections within 30 days after we receive your plans. If we do not notify you of any objections within that time, you may use the plans. If we do object within the 30-day time period, you may not use the plans. Any objections we make will also include a reasonably detailed list of changes that you must make for the plans to be acceptable. We will notify you within 30 days after we receive your revised plans if they are acceptable. If we do not object to your revised plans within the 30-day period, you may use the revised plans.

You must hire a building contractor that is commercially licensed and has experience building restaurants to oversee and complete the construction or remodeling of your Restaurant. We may review the construction process at any time and may require you to submit to us all construction bids you have received from building contractors.

Advertising and Promotional Materials

All of your advertising and promotions must conform to our standards and requirements. We must approve all advertising and promotional plans and materials before you use them if we have not prepared them or previously approved them during the 12 months preceding the date of their proposed use. You must submit any unapproved plans and materials to us at least 30 days before the applicable deadline for running the advertisement, and we will approve or disapprove them within 10 business days after we receive them. If we do not object to your proposed plans or materials within the 10-day period, you may use the plans or materials.

Insurance

You must obtain and maintain insurance policies protecting you and us and our affiliates as additional insureds on a primary non-contributory basis. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Restaurant is located and with a rating of “A” or better by the A.M. Best Company, Inc.’s rating guide. These policies must include the coverage that we require, which currently includes: (a) “all risk” property insurance with replacement cost coverage, including business interruption insurance, customarily obtained by similar businesses in the Restaurant’s principal trade area; (b) comprehensive general liability insurance, including products and contractual, in an amount of not less than $2,000,000 combined single limit (umbrella limits may be used to satisfy this requirement; (c) automobile liability coverage, including coverage of owned, non-owned, and hired vehicles with coverage in amounts not less than $1,000,000 combined single limit; (d) workers’ compensation insurance in amounts required by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to us with employers' liability limits of $1,000,000/$1,000,000/$1,000,000; (e) employment practices liability in an amount not less than $500,000; (f) data/privacy breaches in an amount not less than $1,000,000; (g) liquor liability in an amount not less than $600,000; and (h) such other insurance as may be required by the landlord of the Restaurant premises and the state or locality in which the Restaurant is located. You and your insurers must agree to waive rights of subrogation against us and our affiliates. At least 10 days before you are required to carry insurance, and after that at least 30 days before the expiration of any policy, you must deliver to us certificates of insurance evidencing the proper types and minimum amounts of required coverage, and evidence of the waiver. We reserve the right to unilaterally modify the minimum coverage requirements set forth above as market or industry conditions warrant. Your state or local government agencies and/or your landlord may require additional coverage.

Supplier Approval Procedure

If you wish to use any item or service that we have not yet evaluated or if we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We are not required to approve any particular supplier or item. We have the right to require you to submit information, specifications, and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We have the right to inspect the supplier's facilities and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. We may re-inspect the facilities and products of any approved supplier and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process (including our administrative expenses). Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time. We will approve or disapprove a proposed supplier within 45 days of the date on which we receive all information we request about the proposed supplier. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to you and approved suppliers.

Purchasing Arrangements

Neither we nor our affiliates had any revenue from the sale of products or services to franchisees in the last fiscal year or received payments from any designated sources because of transactions with franchisees in the last fiscal year.

We intend to negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive rebates from approved or designated sources. We will not provide material benefits to you based upon your use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered "required purchases." We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Restaurant is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Restaurant. We estimate that your total initial required purchases will be about 90% of the cost of your initial purchases or leases. We estimate your required purchases for the operation of the Restaurant will be 80% or more of your annual purchases or leases. The majority of these required purchases will be from third parties under our specifications.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Sections 3.	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3., 8., 9., and 13.	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Section 3.	Items 1, 7, 8, 11, and 12
d. Initial and ongoing training	Section 7.G.	Items 6, 7, and 11
e. Opening	Sections 3.F. and 9.D. and Exhibit C	Items 5, 7, and 11
f. Fees	Sections 4.B., 5., 6., 7.G., 8., 9., 11., 12., 13.A., 15., 18.E, 19., and 20.	Items 5, 6, and 11
g. Compliance with standards and policies/ Manuals	Sections 3., 4., 8., 9., 10., 11., 12., and 13.	Items 8, 11, 14, 15, and 16
h. Trademarks and proprietary information	Sections 10. and 11. and Exhibit B	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 8.	Items 8 and 16
j. Warranty and customer service requirements	Section 8.I.	Item 11
k. Territorial development and sales quotas	Section 3.	Item 12
1. Ongoing product/service purchases	Sections 6., 8., and 9.	Items 6, 8, 11, and 16
m. Maintenance, appearance and remodeling requirements	Sections 4. and 8.	Items 8 and 11
n. Insurance	Section 13.	Items 6, 7, and 8
o. Advertising	Section 9.	Items 6, 8 and 11
p. Indemnification	Section 16.	Item 6

Obligation	Section in agreement	Disclosure document item
q. Owner's participation/ management/ staffing	Sections 7. and 8.	Items 1, 11 and 15
r. Records and reports	Sections 3., 5., 9., and 12.	Item 11
s. Inspections and audits	Sections 3., 8., and 12.	Items 6 and I 1
t. Transfer	Section 15.	Items 6 and 17
u. Renewal	Section 4.	Items 6 and 17
v. Post-termination obligations	Section 19.	Item 17
w. Noncompetition covenants	Section 11. and Exhibit B	Items 15 and 17
x. Dispute resolution	Section 20.F.	Item 17

ITEM 10
FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases, or other obligations.

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

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

Pre-Opening Obligations: Before you open your Restaurant, we or our designee will:

1. Provide you with site selection guidelines and site selection assistance we believe to be necessary. (Franchise Agreement, Section 6.A.)

2. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease or contract of sale within 30 days after receiving your site information. (Franchise Agreement, Section 3.B.)

You must submit site information to us no later than 60 days after signing the Franchise Agreement. (Franchise Agreement, Section 3.B.)

You must identify and secure a site for your HNJ Restaurant in the Designated Area. We must accept the site as meeting our standards. You cannot place a Restaurant at a site we have not first accepted in writing. If you fail to obtain a site that we approve within 60 days after signing the Franchise Agreement it is a default for which we may terminate the Franchise Agreement.

When you identify a proposed site, you must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines and any other information we may require. We have 30 days after we receive this information to review and accept or not accept the proposed site and lease or contract of sale. In reviewing your proposed site, we consider various factors, including the condition of the site, the location of the site, population, and other demographic factors. If we accept multiple sites, you must notify us within 10 days of our acceptance of the sites of the site that you intend to acquire for the Restaurant. Our acceptance of a site does not guarantee that an HNJ Restaurant will be profitable or successful at that site. You must provide us with a copy of the proposed lease (which incorporates a rider in substantially the form of Exhibit F to the Franchise Agreement) or contract of sale for the site after we have approved the site. (Franchise Agreement, Section 3.B.)

Within 90 days after we approve the proposed site, you must enter into a lease or contract of sale for the site. You must provide us with a copy of the executed lease or contract of sale within 10 days of its signing. (Franchise Agreement, Section 3.C.) If you fail to enter into a lease or contract of sale for the approved site within 90 days after receiving our approval it is a default for which we may terminate the Franchise Agreement.

You must obtain all zoning classifications, clearances and approvals relating to the site and all required permits, licenses, and certifications. (Franchise Agreement, Section 3.D.)

3. Provide you with access to our prototypical design plans and specifications for an HNJ Restaurant. (Franchise Agreement, Section 6.C.)

4. Provide you with access to one set of our Manuals, either in electronic or paper form. (Franchise Agreement, Section 6.D.)

5. Provide you a list of any approved suppliers. (Franchise Agreement, Section 6.M.)

6. Conduct an initial training program. (Franchise Agreement, Sections 6.E. and 7.G.)

7. Give you on-site pre-opening and opening assistance. (Franchise Agreement, Section 6.F.)

Typical Length of Time Before You Open Your HNJ Restaurant

We estimate that it will be approximately 120 days from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your HNJ Restaurant. You must begin business within 365 days after signing the Franchise Agreement, unless we give you a written extension. (Franchise Agreement, Section 3.F.)

Continuing Obligations: After your Restaurant opens we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement, Section 6.I.)

2. Establish and administer an advertising fund and, for a reasonable fee, provide any advertising and promotional materials we develop for local advertising. (Franchise Agreement, Sections 6.J. and 9.)

3. Give you advice and written materials we may develop on the techniques of managing and operating your HNJ Restaurant. (Franchise Agreement, Section 6.K.)

4. At our discretion, make available to you at a reasonable cost any merchandise we develop or approve for resale. (Franchise Agreement, Section 6.L.)

5. Give you updated lists of approved suppliers as we deem appropriate. (Franchise Agreement, Section 6.M.)

6. Provide additional training programs and seminars at our option. We reserve the right to charge a per-diem or reasonable fee and receive reimbursement for our expenses in connection with such additional training programs and seminars. (Franchise Agreement, Sections 6.G. and 7.G.)

7. Provide you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee. (Franchise Agreement, Section 6.H.)

Advertising

You must participate in all advertising and sales promotion programs that we may authorize or develop for HNJ Restaurants. (Franchise Agreement, Section 9.A.)

You must carry out a grand opening promotion for the Restaurant in compliance with our written specifications. We must approve all advertising items, methods and media. You must spend a minimum of $5,000 during the period of time beginning 30 days immediately before and ending 60 days immediately following the date the Restaurant opens in connection with the grand opening promotion of the HNJ Restaurant. (Franchise Agreement, Section 9.D.)

We may require you to spend up to 4% of your Restaurant's Gross Sales on advertising. Initially, you must spend 2% of Gross Sales on local advertising and contribute 2% of Gross Sales to the advertising fund ("Fund"). We may reallocate the proportion of those monies directed to local advertising (individually or through a Cooperative) and to the Fund. (Franchise Agreement, Section 9.D.) You may advertise permitted catering activities only in the Protected Area. (Franchise Agreement, Section 9.)

At our request, you must give us a report (including substantiating receipts) of your local advertising expenditures during the time period specified in our request. You cannot include expenditures for any of the following to satisfy your local advertising expenditure requirement: (i) incentive programs for your employees or agents; (ii) non-media promotional costs; (iii) charitable, political or other contributions or donations; (iv) in-Restaurant fixtures or equipment; (v) Internet and other business listings; or (vi) grand opening expenses. (Franchise Agreement, Section 9.B.(1))

We can designate any geographic area in which 2 or more Affiliated-Owned or franchised HNJ Restaurants are located as a region for an advertising cooperative ("Cooperative"). If we do, the Cooperative must be organized and governed as we determine. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for an area that includes your Protected Area, you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents. However, you will not be required to contribute more than the amount you would otherwise be required to spend on local advertising and your Cooperative contribution will be applied toward satisfaction of your local advertising requirement. You must also submit to the Cooperative and to us all statements and reports that we or the Cooperative may require. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. (Franchise Agreement, Section 9.B.(2))

In addition to local advertising (individually or through a Cooperative), we have established a Fund to produce advertising for the System on a regional and/or national basis. You must make weekly contributions to the Fund. Initially, your contribution will be 2% of your Restaurant's Gross Sales. We may require you to allocate to the Fund all or part of your required local advertising expenditures, up to a maximum of 4%. We and our Affiliate-Owned restaurants will contribute to the Fund generally on the same basis as you do for your HNJ Restaurant(s).

We or someone we designate will administer the Fund. We will direct all advertising programs, including the creative concepts, materials, and media used in the programs. We may use the Fund to satisfy the costs of maintaining, administering, directing, preparing, and producing advertising; and costs associated with developing, maintaining, and updating our Website, of preparing and producing television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. We are not required to make expenditures where your Restaurant is located or that are equivalent or proportionate to your Fund contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. Except for a portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises.

We anticipate that Fund advertising will be conducted primarily through electronic, television, or print media on a regional or national basis, and that our advertising will be developed in-house and through an outside advertising agency. We presently do not have an advertising council.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable salaries, administrative costs, travel expenses, and overhead that we may incur in administering or directing the Fund. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. We are not required to have the Fund statements audited. During our 2018 fiscal year, no Fund monies were collected or spent.

Although the Fund is intended to be perpetual, we may terminate it at any time. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors on the basis of their respective contributions. Fund contributions that are not spent in the year in which they are collected will be carried over to succeeding years. (Franchise Agreement, Section 9.C.)

You must implement any coupon, gift card, gift certificate, mystery shopper, or other quality assurance, customer loyalty, or retention, or special promotional program that we require, and any discount or coupon program you propose to implement must first be approved by us. (Franchise Agreement, Section 9.A.(1))

You must pay the cost of Internet listings on such Websites and in such online directories and categories as we may specify. (Franchise Agreement, Section 9.E.)

All advertising and promotions you place in any medium must be conducted professionally and must conform to our standards and requirements. (Franchise Agreement, Section 9.F.)

We may establish a franchisee association or similar program for HNJ Restaurants franchisees. If we do, you must join and participate in such association and pay any dues assessed for the association. The association must be organized and governed in accordance with bylaws that we establish. (Franchise Agreement, Section 9.G.)

Computer and Electronic Payment Systems

You must install and maintain three personal computers at the Restaurant. Each computer must have high-speed Internet connection that permits you to connect to the Internet and to transmit and receive e-mail. One computer will be used for management communications, another will be used for the Restaurant's required digital surveillance system, and the third will be dedicated to functions for tracking and reporting sales, labor, and food cost. These computers must be purchased in addition to any other computer(s) provided with or otherwise required for the point-of-sale system ("POS System"). You must also install and maintain at least four Aloha POS terminals and install and run the Aloha POS software.

We estimate that the cost of the computer and POS system will be approximately $15,000 to $25,000 depending on the number of POS terminals you install at your Restaurant and depending on whether you purchase or lease the system and that the Aloha software maintenance costs will be $1,000 to $2,000 per year. You must also purchase your credit card processing services from our required vendor, currently Bank of America.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. You must purchase a warranty and subscribe to help desk services for your Aloha point-of-sale system, which currently costs $1,000 to $1,500 per year. There are currently no other optional or required maintenance/upgrade contracts for the point-of-sale or computer system.

You must install and use the digital surveillance system we require. Currently, the GeoVision digital surveillance system is used for surveillance at the Restaurant.

You must maintain high-speed Internet service at the band-width and speed we required.

You must install any other hardware or software for the operation of the HNJ Restaurant that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. Specifically, we may require that you install and maintain systems that permit us to independently access and retrieve electronically any information stored in your computer systems, including information concerning your Restaurant's Gross Sales, at the times and in the manner that we may specify periodically. We may also, at any time and without notice, monitor the security cameras that are required to be installed at your Restaurant. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or required be used in HNJ Restaurants. (Franchise Agreement, Section 8.H.)

Operations Manual

After you sign the Franchise Agreement and when you begin initial training, we will provide you with access to a copy of our Manuals either in electronic or paper form. A copy of the table of contents of the Manuals is attached as Exhibit E. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. Our Manuals have a total of 540 pages.

Training

Before the Opening Date of your Restaurant, your Operating Principal, Restaurant Manager, and other Restaurant personnel designated by us must have attended and satisfactorily completed, as we determine, our initial training program. (Franchise Agreement, Section 7.G.)

Currently, training is conducted in Las Vegas, Nevada and/or Falls Church, Virginia at one of the Affiliate-Owned HNJ Restaurants, although we may designate an alternate location for training. We provide instructors and training materials at no charge, but you must pay all expenses you and your personnel incur in initial training, including costs of travel, lodging, meals, and wages. We may charge a reasonable training fee based on our cost for training all successor or replacement personnel and for any additional training programs. Lodging must be at a mid-range hotel or higher. (Franchise Agreement, Section 7.G.)

Our training is administered and directed by Sammi Lim and Kayla Muscari and will be supplemented by qualified members of the Affiliate-Owned Restaurant staff, including management personnel and employees. Sammi and Kayla have been with us since our inception. Sammi has over seven years of experience and Kayla has over six years of experience in the restaurant and foodservice industry.

Our initial training program is offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new HNJ Restaurants. Initial training generally requires approximately three weeks. The subjects covered and other information relevant to our initial training program are described below.

TRAINING PROGRAM[(1)]

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Front of House Operations	20	20	Las Vegas, Nevada and/or Falls Church, Virginia
Back of House Operations	20	40	Las Vegas, Nevada and/or Falls Church, Virginia
Total	40	60	

Notes:

(1) The materials used in our training program include our Operations Manual and other handouts. Our initial training program is subject to change without notice to reflect updates in the materials, methods and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees.

We may require your Operating Principal, Restaurant Manager, and other Restaurant personnel we designate to periodically attend additional training programs and seminars, which will be conducted in Las Vegas, Nevada, Falls Church, Virginia, or such other location we designate. We have the right to charge a reasonable fee for these additional training programs and seminars. The duration of additional training programs will vary based upon the subject matter and content of the program. You must pay all expenses you or your personnel incur in any training program or seminar, including the cost of travel, lodging, meals, and wages. Lodging must be at a mid-range hotel or higher. (Franchise Agreement, Section 7.G.)

ITEM 12
TERRITORY

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 Franchise Agreement gives you the right to operate an HNJ Restaurant at a site we accept as meeting our site selection guidelines ("Location"). You must select the site for your Restaurant from within the non-exclusive Designated Area identified in Exhibit C of the Franchise Agreement. If you are in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish an HNJ Restaurant in the geographic area identified in Exhibit C of the Franchise Agreement ("Protected Area") during the term of the Franchise Agreement. We will determine the Protected Area for your Restaurant after you acquire the Location, but the minimum Protected Area will be at least a 0.1 mile radius around the Location; however, the actual shape and size of the Protected Area will be determined based on several factors, including population density, income level, and the number of households and businesses in the area. You are not required to achieve any particular sales volume or market penetration or meet any other contingency to maintain your rights in the Protected Area.

You must operate the Restaurant only at the Location. You cannot relocate the Restaurant without our express prior written consent. If you lose possession of the Location through no fault of your own, you must apply to us within 30 days for our approval to relocate your Restaurant. You must relocate to another site in the Protected Area.

We retain all other rights. Among other things, this means we can:

(i) Operate, and license others to operate, HNJ Restaurants at any location outside the Protected Area and at any location in any Reserved Area, including locations that are adjacent to or surrounded by the Protect Area. A "Reserved Area" includes any enclosed area of retail sales establishments in excess of 250,000 square feet, food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, amusement parks, theme parks, train stations, military bases, and other mass gathering locations or events.

(ii) Develop and establish other business systems (including systems that distribute products or services similar to those offered at HNJ Restaurants) using other names or marks, and grant licenses to use those systems within or outside the Protected Area;

(iii) Advertise and promote the System in the Protected Area;

(iv) Conduct, and license others to conduct, permitted catering activities within the Protected Area in response to a customer request;

(v) Within and outside the Protected Area, offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services, (under the Marks or under other names or marks) through any channel or by any method of distribution other than an HNJ Restaurant (including permanent, temporary or seasonal food service facilities, carts or kiosks, grocery stores, supermarkets, convenience stores, mail order catalogs, community or special events of any kind, and the Internet), on any terms and conditions we deem appropriate, without compensating you.

There are no restrictions on our right to solicit or accept business from consumers inside the Protected Area without paying any compensation to you.

We do not grant any rights of first refusal, options or similar rights to obtain additional Restaurant locations.

You may use the Internet to advertise on our Website only to the extent expressly permitted under, and in compliance with, the Franchise Agreement.

ITEM 13
TRADEMARKS

The Franchise Agreement gives you a license to operate an HNJ Restaurant under the mark "HNJ" and to use any future Marks we authorize.

The following Mark has been registered, all required affidavits have been filed with the U. S. Patent and Trademark Office (USPTO), and is owned by our affiliate, Flowerhorn, a Nevada corporation. Flowerhorn intends to renew the registration and to file all appropriate affidavits at the appropriate times required by law.

MARK	REGISTER	REGISTRATION NUMBER	REGISTRATION DATE
HNJ	Principal	4,149,812	May 29, 2012

There is no presently effective determination of the USPTO, the trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Mark which is relevant to its ownership, use, or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Mark, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

Our rights to the Mark and the proprietary System know-how are derived from a nonexclusive perpetual license between us and Flowerhorn ("Intercompany License"). The Intercompany License grants us the right to use the Mark and the know-how for the purpose of licensing it to our franchisees and fulfilling our obligations under the Franchise Agreement. The license is terminable only for material breach of the license agreement and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to you. If the Intercompany License is terminated, your rights under the Franchise Agreement will not be affected, as long as you are not in default of the Franchise Agreement.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any infringement, challenge or claim of this type. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or USPTO (or other) proceeding, arising out of any infringement, challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding of this type or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents, and do not have any pending patent applications, that are material to the franchise. We do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of HNJ Restaurants and the System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Principals can give this confidential information only to your employees who need it to operate your HNJ Restaurant. You must have your Restaurant Manager and any of your other personnel who have received or will have access to our confidential information, sign similar covenants.

If you or your Principals develop any new concept, process, or improvement in the operation or promotion of your HNJ Restaurant, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Principals must agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

When you sign the Franchise Agreement, you must designate an individual to serve as your "Operating Principal." If you are an individual, you will be the Operating Principal. If you are not an individual, your Operating Principal must maintain a direct or indirect ownership interest in you of not less than 10%, unless we consent otherwise. This interest may not be pledged, mortgaged, hypothecated, or be subjected to any lien, charge, or encumbrance, voting agreement, proxy, security interest, or purchase right or option, without our consent.

Unless a Restaurant Manager is appointed, as discussed below, your Operating Principal must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement and, without our written consent, may not engage in any other business. He or she must satisfy our training requirements and our other standards and must guaranty your performance under the Franchise Agreement. Your Operating Principal will be individually, jointly and severally, bound by all of your obligations and the obligations of the Operating Principal and a Principal under the Franchise Agreement. (Franchise Agreement, Section 7.F.)

You may, at your option and subject to our written consent, designate a Restaurant Manager to supervise your operations under the Franchise Agreement. Even if we permit you to designate a Restaurant Manager to supervise your operations under the Franchise Agreement, your Operating Principal remains ultimately responsible for the Restaurant Manager's performance. The Restaurant Manager must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement.

You must notify us promptly if your Operating Principal or Restaurant Manager cannot continue to serve or no longer qualifies as an Operating Principal or a Restaurant Manager. You will have 30 days from the date of the notice (or from any date that we independently determine the Operating Principal or Restaurant Manager no longer meets our standards) to take corrective action. During that 30 day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

At our request, you must have your Restaurant Manager and any other personnel who will have access to our training sign covenants not to compete and agree to maintain the confidentiality of information they have access to through their relationship with you. These covenants will be in substantially the form of Exhibit B to the Franchise Agreement. Those of your Principals who are not signing the Guaranty also must sign these covenants. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products and services you use or sell at the Restaurant must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant.

You must offer and sell all products and services we require. You must sell only the products and services that we have expressly approved in writing. You must stop selling any products or services that we disapprove in writing. You must open and operate the Restaurant during the hours we specify in the Manual or otherwise in writing. There are no limits on our ability to approve or disapprove products or services that you offer at your Restaurant.

You may only use the Internet to advertise on our Website in compliance with the Franchise Agreement. You will not use the Marks as part of any domain name, Web address, or e-mail address.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products or services.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or on sell or the customers to whom you may offer or sell.

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

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

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term	Section 4.A	10-year initial term.
b. Renewal or extension of the terms	Section 4.B	2 additional 5-year terms.
c. Requirements for franchisee to renew or extend	Section 4.B	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. Other requirements are: give written notice; update required items; not be in default; pay all money owed; retain right to Location; pay us a renewal fee; sign general release (see Exhibit F); and comply with then-current qualifications and training requirements.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with “cause”	Section 18.	We may terminate on your default.

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined - curable defaults	Section 18.D.	For any default except those specified noncurable you have 30 days to cure (5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverage; 10 days if you fail to comply with the noncompetition covenants; 30 days if you fail to maintain standards, specification or procedures, or fail to comply with any other requirement under the franchise agreement; 30 days if you fail to designate a qualified replacement Operating Principal or Restaurant Manager; 30 days if you fail to obtain the execution of the confidentiality and related covenants; 10 days if you fail to secure the required liquor license(s) by the date the Restaurant opens for business; and 10 days if you fail to comply with any applicable laws or regulations relating to the sale of alcoholic beverages at the Restaurant that results in the sale or consumption of alcoholic beverages at the Restaurant being suspended or prohibited for more than 30 consecutive days).

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – noncurable defaults	Sections 18.B. and 18.C.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of the Restaurant or the sell of any products or services at location that we have not accepted; failure to obtain acceptance of proposed site or acquire Location, to construct or remodel in accordance with prototypical plans, to begin business within the required time period; abandonment or forfeiture of right to do business; conviction of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants, false representations or any material misstatement or omission in any information provided to us; failure to comply with quality assurance program; default of any other franchise agreement; repeated defaults whether or not cured; your assets are "blocked" under any law relating to terrorist activities. A provision in the Agreements which states that the agreement terminates upon your bankruptcy may not be enforceable under Title 11, USC Section 101.
i. Franchisee's obligations on termination/ nonrenewal	Section 19.	Stop operating your Restaurant and using the System's confidential methods, procedures techniques and marks; cancel any registration containing the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises.
j. Assignment of contract by franchisor	Section 15.A.	We may transfer our rights without restriction.
k. "Transfer" by franchisee - defined	Sections 15.B.	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the franchised business without our written consent.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Section 15.B.	We must consent and you must meet conditions before transferring.
m. Conditions for franchisor approval of transfer	Section 15.B.	Pay all amounts due; not be in default; sign a general release (see Exhibit F); pay transfer fee; remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, guaranty obligations; enter into then-current franchise agreement and upgrade the Restaurant.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15.D.	On 30 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Sections 19.A.(8) and (9) and 19.B.	Upon termination or expiration we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to purchase the furnishings, equipment, signs, fixtures, supplies, materials and other assets, at fair market value, and, if you own the land were the Restaurant is located, we have the option to lease the land (and any building on the land used for the operation of the Restaurant), for fair market value. We have the option to have the lease for the premises of the Restaurant assigned to us.
p. Death or disability of franchisee	Section 15.E.	On death or permanent disability of you or a Principal the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section 11.C.(1)	You may not divert or attempt to divert any customers or potential customers of any HNJ Restaurant to any competitor; you may not operate or have an interest in a business which is similar to the franchised business which is, or is intended to be, which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which we or our affiliate has used, sought registration of, or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections 11.C.(2)	For 2 years, you may not divert or attempt to divert any customers or potential customers of HNJ Restaurants to any competitor; you may not operate or have an interest in a business which is similar to the franchised business which is, or is intended to be, located (i) at the Location, (ii) within the Protected Area, or (iii) within a 10-mile radius of the Location; or (iv) within a 10-mile radius of any location of any HNJ Restaurant then in existence or under development.
s. Modification of the agreement	Sections 11.A. and 20.O.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Section 21.G.	Only the terms of the Franchise Agreement, other related written agreements and the franchise disclosure document are binding (subject to applicable state law). No other representations or promises are binding.
u. Dispute resolution by arbitration or mediation	Section 20.F.	Claims, controversies or disputes arising out of or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property, the marks or the confidential information.
v. Choice of forum	Sections 20.F and 20.G.	Mediation in Grand Prairie, Texas, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information. Venue for any other proceeding is Tarrant County, Texas or the federal district court for the Northern District of Texas. In addition to the provisions noted in the above chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Sections 20.J., K., and L.
w. Choice of law	Section 20.H.	The Franchise Agreement is to be interpreted and construed under Texas law, except for Texas choice of law rules. (See state specific addenda.)

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the 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 the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about 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 Tim Nguyen at 4825 Magna Carta Boulevard, Grand Prairie, Texas 75052 or 214-673-4907, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2016 to 2018[(1)]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company-Owned	2016	10	11	+1
	2017	11	12	+1
	2018	12	13	+1
Total Outlets	2016	10	11	+1
	2017	11	12	+1
	2018	12	12	0

Notes:

1. All numbers are as of our fiscal year end, which is December 31.
2. Company-Owned outlets referenced above are defined as Affiliated-Owned Restaurants in Item 1.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018[1]

State	Year	Number of Transfers
All States	2016	0
	2017	0
	2018	0
Total	2016	0
	2017	0
	2018	0

Note:

1. All numbers are as of our fiscal year end, which is December 31.

Table No. 3
Status of Franchised Outlets
For years 2016 to 2018[1]

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Totals	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Note:

1. All numbers are as of our fiscal year end, which is December 31.

Table No. 4
Status of Company-Owned Outlets
For years 2016 to 2018[(1)]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
California	2016	2	0	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
District of Columbia	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Florida	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Nevada	2016	3	1	0	0	0	4
	2017	4	0	0	0	0	4
	2018	4	0	0	0	0	4
New York	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	1	0	0	0	2
Virginia	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Totals	2016	10	1	0	0	0	11
	2017	11	1	0	0	0	12
	2018	12	1	0	0	0	13

Notes:

1. All numbers are as of our fiscal year end, which is December 31.
2. Company-Owned outlets referenced above are defined as Affiliated-Owned Restaurants in Item 1.

Table No. 5
Projected Openings As Of December 31, 2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	0	1	1
Florida	0	1	1
Nevada	0	0	1
Texas	0	2	0
Total	0	4	3

The names, addresses, and telephone numbers of our franchisees and their Restaurants as of December 31, 2018 are attached as Exhibit C.

Attached as Exhibit D is a list of the name, city, and state and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had an outlet terminated, canceled, or not renewed by us or who otherwise voluntarily or involuntarily ceased to do business under their agreements during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this disclosure document.

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

As of the date of this disclosure document, we are not offering any outlets we control that were previously owned by a franchisee. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

As of December 31, 2018, we have no current or former franchisees who have signed provisions during the last three fiscal years restricting their ability to speak openly to you about their experience with the HNJ Restaurant franchise system.

As of the date of this disclosure document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements for our 2018 fiscal year. Since we have not been in business for three years or more, we cannot include financial statements for the previous three fiscal years.

ITEM 22
CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with attachments).
2. Form of General Release.

ITEM 23
RECEIPTS

Attached as the last 2 pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A

FINANCIAL STATEMENTS

HNJ Franchise Inc.

Financial Statements

For the period from inception (July 26, 2018) to December 31, 2018

HNJ Franchise Inc.

Financial Statements

For the period from inception (July 26,2018) to December 31, 2018

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A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

Dallas Office
2425 N Central Expy.
Suite 200
Richardson, TX 75080
Phone 972 238 5900
Fax 972 238 5920

Marshall Office
215 East Austin Street
Marshall, TX 75670
Phone 903 938 9255
Fax 903 938 9254

www.agllp-cpa.com

Independent Auditor's Report

To the Stockholders
HNJ Franchise Inc.
Grand Prairie, TX

Report on the Financial Statements

We have audited the accompanying financial statements of HNJ Franchise Inc. which comprise the balance sheet as of December 31, 2018, and the related statements of operations, changes in stockholders' equity and cash flows for the period from inception (July 26, 2018) to December 31, 2018, and 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 policies 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain 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 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 HNJ Franchise Inc. as of December 31, 2018, and the results of its operations, changes in stockholders' equity and cash flows for the period from inception (July 26, 2018) to December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

A+G LLP

A&G LLP
Dallas, Texas
April 24, 2019

Balance Sheet

As of December 31,		2018
Assets		
Current assets:		
Cash and cash equivalents	$	106,766
Total current assets		106,766
Total assets	$	106,766
Liabilities and Stockholders' Equity		
Current liabilities:		
Due to affiliate	$	32,134
Accrued expenses	$	10,973
Total current liabilities		43,107
Stockholders' equity		
Common stock, $1 par value; 1,000 shares authorized, issued and outstanding		1,000
Additional paid-in capital		199,000
Retained deficit		(136,341)
Total stockholders' equity		63,659
Total liabilities and stockholders' equity	$	106,766

Statement of Operations

For the period from inception (July 26, 2018) to December 31,		2018
Revenues	$	-
General and administrative expenses:		
Professional fees		44,169
Office expenses		764
Other general and administrative expenses		91,438
Total general and administrative expenses		136,371
Loss from operations		(136,371)
Other income:		
Interest income		30
Total other income		30
Net loss	$	(136,341)

Statements of Changes in Stockholders' Equity

For the period from inception (July 26, 2018) to December 31,

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Deficit	Total Stockholders' Equity
Beginning stockholders' equity	-	$ -	$ -	$ -	$ -
Net loss	-	-	-	(136,341)	(136,341)
Issuance of common stock	1,000	1,000	199,000	-	200,000
Ending stockholders' equity	**1,000**	**$ 1,000**	**$ 199,000**	**$ (136,341)**	**$ 63,659**

See accompanying notes and independent auditor's report.

Statement of Cash Flows

For the period from inception (July 26, 2018) to December 31,		2018
Operating Activities		
Net loss	$	(136,341)
Changes in operating assets and liabilities:		
Due to affiliate		32,134
Accrued expenses		10,973
Net cash used by operating activities		(93,234)
Financing Activities		
Proceeds from issuance of common stock		200,000
Net cash provided by financing activities		200,000
Net increase in cash and cash equivalents		106,766
Cash and cash equivalents, beginning		-
Cash and cash equivalents, ending	$	106,766

NOTES TO FINANCIAL STATEMENT
For the period from inception (July 26, 2018) to December 31, 2018

1. Organization and Operations

HNJ Franchise Inc. (the “Company”) is a Corporation operating under the laws of the State of Texas. References in these financial statement footnotes to “Company”, “we”, and “us” and “our” refer to the business of HNJ Franchise Inc. The Company was formed on July 26, 2018 and began operations in August 2018.

The Company was formed for the purpose of selling franchises for the establishment and operation of restaurants that offer seafood, including crawfish with Louisiana-style seasoning, other seasoned or spiced meats, and related menu items, products, and services to consumers for dine-in and take-out consumption (“Restaurants” or “HNJ Restaurants”), which do business under the mark “HNJ”.

Franchisees operate under the trademark "HNJ”, which has been registered by Flowerhorn, a related company, under a nonexclusive perpetual licensing agreement which grants the Company the right to use this trademark and the know-how for the purpose of licensing it to our franchisees and fulfilling our obligations under the Franchise Agreement.

The Company has 1,000 authorized shares of $1 par value common stock. At December 31, 2018, the Company had 1,000 shares issued and outstanding.

Management has evaluated our ability to continue as a going concern as of December 31, 2018. Due to the Company’s equity in its assets, we have concluded that there is not significant doubt about our ability to continue as a going concern.

2. Significant Accounting Policies

Basis of Accounting

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statement. Estimates are used for the following, among others: revenue recognition and allowance for doubtful accounts. Actual results could differ from those estimates.

Fair Value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company’s financial instruments consist primarily of cash and cash equivalents. The carrying values of cash and cash equivalents are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Revenue Recognition
The Company recognizes franchise fee revenue in accordance with FASB ASC 952-605-25, *Accounting for Franchise Fee Revenue*.

The Company recognizes franchise fee revenue when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. The agreements require the Company to provide training, manuals and opening assistance to the franchisee prior to the commencement of franchise operations. Initial fees for which required services have not been substantially performed are classified as deferred revenue as a current liability on the balance sheet.

Advertising
All costs associated with advertising and marketing are expensed in the period incurred.

Income Taxes
The Company elected to be taxed as a C-Corporation. Income taxes are provided for the tax effects of transactions reported in the financial statement and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and general and administrative expenses, respectively.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance. In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." ASU 2016-20 provides corrections or improvements on 13 issues that affect narrow aspects of the guidance issued in Topic 606.

NOTES TO FINANCIAL STATEMENT
For the period from inception (July 26, 2018) to December 31, 2018

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)
The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2018. (January 1, 2019 for the Company) Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The Company expects to adopt these standards upon their effective date. The Company is currently evaluating the impact of adopting ASU 2014-09 on its financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows: Classification of Certain Cash Receipts and Payments.” ASU 2016-15 provides guidance on eight specific cash flow issues with the objective of reducing diversity in practice. The guidance is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. We are currently evaluating the impact of the guidance, but do not believe it will materially impact our financial statements.

In August 2014, FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures compared to footnote disclosures under today’s guidance. ASU 2014-15 is effective for the Company in 2018. The Company has included the required disclosure in Note 1.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in a bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

4. Related Party Transactions

Due to affiliates

The Company’s affiliates frequently pay expenses on behalf of the Company for payment of general and administrative expenses.

Amounts due to affiliates consisted of the following at December 31:

	2018
HNJ Products LLC	$ 1,000
Flowerhorn Inc.	31,134
Due to affiliates	$ 32,134

The related party payable accounts are unsecured, bear no interest, and are due on demand.

NOTES TO FINANCIAL STATEMENT
For the period from inception (July 26, 2018) to December 31, 2018

5. Income Taxes

The benefit from income tax for the period from inception(July 26, 2018) through December 31, 2018 was nil.

The following is a reconciliation of the expected federal income tax benefit at the statutory rate of 21% to the actual benefit for income taxes for the period from inception (July 26, 2018) through December 31, 2018:

		2018
Expected tax benefit at statutory rates:	$	(28,632)
Valuation allowance		28,632
Benefit from income taxes	$	-

The significant components of deferred tax asset at December 31, 2018, consists of the following:

		2018
Deferred tax asset:		
Net operating loss	$	28,632
Valuation allowance		(28,632)
Deferred tax asset, net	$	-

The Company's management periodically assess the likelihood that it will be able to recover its deferred tax asset. Management considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible profits.

As of December 31, 2018, the Company recorded a valuation allowance of $28,632, which is equal to the full amount of the net deferred tax asset due to the uncertainty of the utilization of the deferred tax asset in future periods.

The Company files income tax returns in the U.S. federal jurisdictions. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. We are currently subject to the general three-year statute of limitation for federal tax. Under this general rule, the Company is subject to examination by taxing jurisdictions for all periods from inception.

The Company has analyzed tax positions taken for filing with the jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018.

6. Subsequent Events

The Company has evaluated subsequent events through the date of the report which was the date the financial statements were available to be issued.

EXHIBIT B

FRANCHISE AGREEMENT

HNJ FRANCHISE INC.

FRANCHISE AGREEMENT

Form dated October 29, 2018
FDD dated April 24, 2019

HNJ FRANCHISE INC.
FRANCHISE AGREEMENT

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EXHIBITS

HNJ FRANCHISE INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is made and entered into by and between HNJ Franchise Inc., a Texas corporation ("**Franchisor**") and ________________________, [state] [type of entity] ("**Franchisee**"), and will be effective upon execution by Franchisor ("**Effective Date**"). Certain initially capitalized terms used frequently in this Agreement are defined in Section 1.

RECITALS

Franchisor has the right to use and license the use of a business system, as further defined below ("**System**"), for the establishment and operation of a restaurant that offers seafood, including crawfish with Louisiana-style seasoning, other seasoned or spiced meats, and related menu items, products, and services to consumers for dine-in and take-out consumption ("**HNJ Restaurant**" or "**Restaurant**").

HNJ Restaurants operate under the System and are identified by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to the mark "HNJ" and such other trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System ("**Marks**").

Franchisee wishes to obtain the right to establish and operate an HNJ Restaurant using the Marks and the System at the location specified in Exhibit C to this Agreement ("**Location**"), as well as to receive the training and other assistance provided by Franchisor, and acknowledges the importance of operating the HNJ Restaurant in conformity with Franchisor's high standards of quality and service.

Franchisor wishes to grant Franchisee a franchise for the operation of an HNJ Restaurant upon the terms and conditions set forth in this Agreement in reliance on Franchisee's application and Franchisee's representations made in the application and in this Agreement.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. CERTAIN DEFINITIONS

A. An "**affiliate**" of a named person is any person or entity that is controlled by, controlling, or under common control with such named person.

B. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Controls Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

C. "**Advertising Assessment**" means the aggregate amount Franchisee must spend for advertising pursuant to Section 9.D. of this Agreement.

D. "**Advertising Fund**" or "**Fund**" means the advertising fund described in Section 9.C. of this Agreement.

E. "**Business Day**" means any day other than Saturday, Sunday, or the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas.

F. "**Competitive Business**" means any business which prepares, offers or sells as a primary menu item, or mix of menu items, seafood, including crawfish, or related menu items, products, or services now or in the future offered to consumers for dine-in or take-out consumption and sold by HNJ Restaurants. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, or the like for Competitive Businesses. Restrictions contained in this Agreement on competitive activities do not apply to: **(a)** the ownership, operation, or franchising of HNJ Restaurants by or pursuant to agreements with, or authorizations from Franchisor or Franchisor's affiliates; or **(b)** the ownership of shares of a class of securities that are listed on the U.S. stock exchange or traded on the over-the-counter market and that represent less than 10% of that class of securities.

G. "**Computer Systems**" means the computer hardware and software (including, without limitation, point of sale hardware and software and all peripheral equipment and items) that Franchisor requires for use in the operation of HNJ Restaurants.

H. "**Confidential Information**" means any proprietary and confidential information, knowledge, or know-how concerning the methods of establishing and operating the Restaurant, including, without limitation, **(i)** Franchisor's standards and specifications, including equipment and product and supplier standards and specifications; **(ii)** site selection criteria; **(iii)** recipes; **(iv)** proprietary spice blends or other proprietary seasonings; **(v)** advertising and marketing plans and programs; **(vi)** research, development, and test programs for products, services, and operations; **(vii)** the contents of Franchisor's Manuals; **(viii)** knowledge of the operating and financial results of HNJ Restaurants, other than Franchisee's Restaurant; **(ix)** computer programs and systems, including electronic data files and passwords; **(x)** Improvements (as defined in Section 11.D.); and any and all information, knowledge, know-how, techniques, and any materials used in or related to the System which Franchisor provides to Franchisee in connection with this Agreement.

I. "**Controlling Interest**" means **(a)** if Franchisee is a corporation, that the Principals, either individually or cumulatively, **(i)** directly or indirectly own at least 51% of the shares of each class of Franchisee's issued and outstanding capital stock and **(ii)** be entitled, under its governing documents and under any agreements among the shareholders, to cast a sufficient number of votes to require such corporation to take or omit to take any action which such corporation is required to take or omit to take under this Agreement, or **(b)** if Franchisee is a partnership, that the Principals **(i)** own at least fifty-one 51% interest in the operating profits and operating losses of the partnership as well as at least 51% ownership interest in the partnership (and at least 51% interest in the shares of each class of capital stock of any corporate general partner) and **(ii)** be entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement.

J. "**Force Majeure**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person will be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Franchisee's financial inability to perform or Franchisee's insolvency will not be an event of Force Majeure under this Agreement.

K. "**Franchisee's Principals**" or "**Principals**" shall include, collectively and individually, Franchisee's spouse, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee's Principals, and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.

L. "**Gross Sales**" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including, without limitation, income related to catering operations and special events), whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

(1) Receipts from the operation of any public telephone, vending machines, or video games installed in the Restaurant, except for any amount representing Franchisee's share of such revenues;

(2) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state, or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax, excise, or duty which is levied or assessed against Franchisee by any federal, state, municipal, or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;

(3) Tips or gratuities paid directly by Restaurant customers to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(4) Returns to shippers or manufacturers; and

(5) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant or having any material effect upon the ongoing operation of the Restaurant required under this Agreement.

Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. The following are included within the definition of "Gross Sales" described except as noted below:

(a) The full value of products furnished to Franchisee's employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the week in which the meals were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(b) All proceeds from the sale of coupons, gift certificates, gift cards, or vouchers; provided, that at the time such coupons, gift certificates, gift cards, or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the week in which such coupon, gift certificate, gift card, or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which the royalty fee is due. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift certificate, gift card, or voucher is sold, or if such coupons, gift certificates, gift cards, or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of such coupon, gift certificate, gift card, or voucher.

M. "**Gross Sales Report**" means the report due on or before each Tuesday during the Term of this Agreement, itemizing, in the form and manner Franchisor reasonably requires, the Gross Sales of the Restaurant for the preceding week (Monday through Sunday).

N. "**Internet**" means a global, computer-based communications network.

O. "**Intranet**" means a restricted, global, computer-based communications network.

P. "**Manuals**" means Franchisor's confidential operations manuals, written directives, and any other manuals and written materials Franchisors develops for use in the System, in electronic or paper form, as revised by Franchisor from time to time. The term also includes alternative or supplemental means of communicating information to Franchisee, including bulletins, video recordings, audio recordings, and computer and other electronic and/or digital communications.

Q. "**Opening Date**" means the date the Restaurant opens for business to the public.

R. "**Operating Principal**" means the person designated as Franchisee's operating principal on Exhibit A of this Agreement.

S. “**Protected Area**” means the geographic area assigned to Franchisee upon Franchisee’s acquisition of the site for the Restaurant and described on Exhibit C, exclusive of any Reserved Area, within which Franchisee will be afforded the protections described in Section 2.B. of this Agreement.

T. “**Publicly-held Corporation**” is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

U. A “**Reserved Area**” is any enclosed area of retail sales establishments in excess of 250,000 square feet, food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings, stadiums, arenas, ballparks, festivals, fairs, amusement parks, theme parks, train stations, military bases, and other mass gathering locations or events.

V. “**Restaurant**” or “**HNJ Restaurant**” means the business operated by Franchisee at the Location pursuant to this Agreement, including all assets of Franchisee used in connection therewith.

W. “**Restaurant Manager**” means a qualified individual who meets the requirements in Section 7.F. of this Agreement but who is not required to own an interest in Franchisee, designated by Franchisee, and approved by Franchisor to supervise the operations of Franchisee’s HNJ Restaurant.

X. “**Software Programs**” means the proprietary or other software programs developed or acquired by, or on behalf of, Franchisor, or required for use by Franchisor in HNJ Restaurants.

Y. “**System**” means Franchisor’s comprehensive methods and procedures for the establishment, management, and operation of HNJ Restaurants, including the Confidential Information, Franchisor’s Manuals, the Marks, and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which Franchisor may change, improve, and modify from time to time.

Z. “**Taxes**” means any present or future taxes, levies, imposts, duties, or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income.

2. GRANT

A. Grant of Rights. Franchisor hereby grants Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to establish and operate an HNJ Restaurant under the Marks and the System in accordance with this Agreement at the Location. This Agreement only grants Franchisee the right and license to operate the HNJ Restaurant at the Location and to conduct authorized or required catering activities from the Location in accordance with the Agreement and Franchisor’s standards. Franchisee is not authorized to offer any products or services offered by HNJ Restaurants at wholesale.

B. Protected Area. Upon Franchisee’s acquisition of the site for the Restaurant, Franchisee’s Protected Area will be described in an amendment to Exhibit C. Except as provided in this Agreement (including Section 2.C.), and subject to Franchisee’s full compliance with this Agreement and any other agreement between Franchisee or its affiliates and Franchisor or its affiliates, neither Franchisor nor any affiliate of Franchisor will establish, or authorize any person or entity other than Franchisee to establish, an HNJ Restaurant in the Protected Area during the Term of this Agreement.

C. Reserved Rights. The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisor and its affiliates have and retain all rights within and outside the Protected Area except those expressly granted to Franchisee. Accordingly, Franchisor, its affiliates, and any other authorized person or entity will have the right, among others, **(i)** to operate, and license others to operate, HNJ Restaurants at any location outside the Protected Area and at any location in any Reserved Area, including locations that are adjacent to or surrounded by the Protected Area; **(ii)** within and outside the Protected Area to develop and establish other business systems (including systems that distribute products or services similar to those offered at HNJ Restaurants) using other names or marks and to grant licenses to use those systems; **(iii)** to advertise and promote the System in the Protected Area; **(iv)** to conduct, and license others to conduct, catering activities within the Protected Area in response to a customer request; and **(v)** except for the restriction in Section 2.B. against the establishment of another HNJ Restaurant in the Protected Area, to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, under the Marks or under other names or marks, within and outside the Protected Area, through any other method of distribution, including, but not limited to, permanent, temporary, or seasonal food service facilities, carts, or kiosks, grocery stores, supermarkets, convenience stores, mail order catalogs, community or special events of any kind, and the Internet, regardless of the competitive impact on the Restaurant.

D. Franchise Location: Relocation. Franchisee has been granted the right to operate an HNJ Restaurant at the Location designated in Exhibit C to this Agreement. Franchisee shall not relocate the Restaurant without Franchisor's express prior written consent. If Franchisee is unable to continue the operation of the HNJ Restaurant at the Location because of the occurrence of an event of Force Majeure (or for other reasons not constituting an event of default under this Agreement), Franchisee may request Franchisor's consent to relocate the Restaurant to another location in the Protected Area. If Franchisor grants Franchisee the right to relocate the Restaurant, then Franchisee must comply with such reasonable site selection and construction procedures as Franchisor requires.

3. SITE SELECTION, PLANS, CONSTRUCTION AND OPENING DATE

A. Site Selection. Franchisee assumes all cost, liability, expense, and responsibility for selecting, obtaining, and developing a site for the Restaurant within the non-exclusive Designated Area described in Exhibit C. Franchisee will not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Restaurant unless the site is approved as set forth below. Franchisee acknowledges that the selection, procurement, and development of a site for the Restaurant is Franchisee's responsibility and that Franchisor's approval of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty, or guarantee by Franchisor that the Restaurant operated at that site will be profitable or otherwise successful. Franchisee acknowledges and agrees that Franchisee acquires no rights in and to the Designated Area, other than the right to select a site for the Restaurant from within its boundaries, and, without limitation of the foregoing, Franchisee has no exclusivity rights in the Designated Area. Franchisee further acknowledges and agrees that the Designated Area excludes any existing Protected Area of another HNJ Restaurant franchisee within the Designated Area and any Protected Area of another HNJ Restaurant franchisee, which may be designated before or after the execution of this Agreement and is within the Designated Area.

B. Site Approval. Before acquiring a site for the Restaurant by lease or purchase, Franchisee must select a site for the Restaurant that satisfies Franchisor's site selection requirements and must submit to Franchisor in the form specified by Franchisor a description of the site, including:

(1) evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection requirements;

(2) such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site.

Franchisor will conduct one in-market site selection/site evaluation visit at no cost, but Franchisee must reimburse Franchisor for Franchisor's out-of-pocket costs, including but not limited to Franchisor's travel-related expenses and any costs Franchisor incurs to obtain site analytics services. (Lodging must be at a mid-range hotel or higher.) If Franchisee requests, or if Franchisor deems necessary, additional in-market site selection/site evaluation visits, then Franchisee must pay Franchisor $300 per day for each visit, in addition to the out-of-pocket costs described above. Recognizing that time is of the essence, Franchisee will submit such site information to Franchisor no later than 60 days after the execution of this Agreement. Franchisor will have 30 days after receipt of such information and materials to approve or disapprove, in its sole discretion, the proposed site as the Location for the Restaurant. No site may be used for the Location of the Restaurant unless it is first approved in writing by Franchisor. If Franchisor accepts multiple sites for a Restaurant, Franchisee must notify Franchisor in writing within 10 days after the date of such acceptance of the site that Franchisee intends to acquire for the Restaurant. After Franchisor accepts the site, Franchisee must submit a copy of the proposed contract of sale or lease, as applicable, to Franchisor. No lease will be approved by Franchisor unless an addendum to the lease, containing covenants, in substantially the form of those in Exhibit F, is attached to the lease and incorporated therein. Franchisee will pay or reimburse Franchisor for its reasonable attorneys' fees incurred in connection with its review of the proposed contract of sale or lease.

C. Site Acquisition; Contractual Designation of Location.

(1) Within 90 days after Franchisor has approved the site for the Location as described above, Franchisee must acquire the site by purchase or lease, at Franchisee's expense. Franchisee will furnish to Franchisor a copy of the executed lease or contract of sale within 10 days after execution. Failure by Franchisee to acquire the Location for the Restaurant within the time and in the manner required herein will constitute a material breach under this Agreement.

(2) After Franchisor accepts the site and Franchisee acquires the site pursuant to this Agreement, Exhibit C to this Agreement will be amended to include the address of the site as the Location, and the Designated Area will be of no further force or effect.

D. Licenses; Permits. Franchisee is responsible for obtaining all zoning classifications and clearances, which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the HNJ Restaurant at the Location. Before beginning construction of the Restaurant, Franchisee will **(i)** obtain all approvals, clearances, permits, licenses, and certifications required for the lawful construction or remodeling and operation of the HNJ Restaurant and **(ii)** certify in writing to Franchisor that all such items have been obtained and that the insurance coverage specified in Section 13. of this Agreement is in full force and effect. Without limiting the generality of the foregoing, Franchisee must have obtained all required licenses and/or governmental approvals to offer and sell alcoholic beverages at the Restaurant not later than the Opening Date. Throughout the Term of this Agreement, including any renewal term, Franchisee must maintain all such alcoholic beverage licenses and/or governmental approvals. Failure to obtain and maintain such alcoholic beverage licenses and/or governmental approvals as required by this Section 3.D. will constitute a material default under Section 18. of this Agreement. At Franchisor's request, Franchisee will provide to Franchisor copies of all such approvals, clearances, permits, licenses, and certifications.

E. Construction and Finish-Out. Franchisee must obtain, at its expense, all architectural, engineering, design, construction, and other services that Franchisor deems necessary for the construction of the Restaurant.

(1) Franchisee must engage an architect approved by Franchisor, and Franchisee must adapt Franchisor's prototypical architectural and design plans and specifications for an HNJ Restaurant as necessary for the construction of the Restaurant and must submit the adapted plans to Franchisor for review within 15 days after Franchisee acquires the Location. If the plans are consistent with Franchisor's System standards, as determined in Franchisor's sole discretion, Franchisor will notify Franchisee of Franchisor's acceptance of such plans within 15 days of receiving them. If Franchisor fails to notify Franchisee of Franchisor's acceptance of the plans within the 15-day period, the plans will be deemed rejected, and Franchisee may not use the plans unless and until Franchisee modifies such plans to Franchisor's satisfaction. If Franchisor objects to the plans, Franchisor will provide Franchisee with a

reasonably detailed list of the changes needed to make the plans consistent with System standards. Franchisee must promptly implement the changes required by Franchisor and submit the revised plans to Franchisor. If the revised plans are consistent with Franchisor's System standards, as determined in Franchisor's sole discretion, Franchisor will notify Franchisee of Franchisor's acceptance of such plans within 15 days after receiving such revised plans. If Franchisor fails to notify Franchisee of Franchisor's acceptance of the revised plans within the 15-day period, the plans will be deemed rejected, and Franchisee may not use the plans unless and until Franchisee makes further modifications to such plans as required by Franchisor. Franchisee acknowledges that Franchisor's review of the plans is only for the purpose of determining compliance with System standards, and that Franchisor's acceptance of the plans does not constitute a representation, warranty, or guarantee, express or implied, that the plans are accurate or free of error concerning their structural application. Franchisor is not responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor is Franchisor responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) Franchisee must promptly commence and diligently pursue construction of the Restaurant. Commencement of construction is defined as the time at which any site work is initiated. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls, and demolishing of any existing premises, depending on whether the Restaurant is to be located in a freestanding building or contained within a shopping mall, strip center, or other interior location. During construction, Franchisee will promptly provide Franchisor with such periodic progress reports as Franchisor may reasonably request from time to time. In addition, Franchisor will make such on-site inspections as Franchisor may deem reasonably necessary to evaluate Franchisee's progress. Franchisee will notify Franchisor of the scheduled date for completion of construction no later than 90 days prior to such date, and Franchisee must confirm, or notify Franchisor of any changes to, the scheduled construction completion date 45 days before such date. Within a reasonable time after the date construction is completed, Franchisor may, at Franchisor's option, conduct an inspection of the completed Restaurant. Franchisee must not open the Restaurant for business without Franchisor's written authorization, which will be conditioned upon Franchisee's strict compliance with this Agreement.

F. Opening Date. Franchisee must open the Restaurant and commence business within 365 days after the Effective Date, unless Franchisee obtains a written extension of such time period from Franchisor. Franchisee acknowledges that time is of the essence. The Opening Date will be entered in an amendment to Exhibit C or as otherwise memorialized in any writing acknowledge by both Franchisor and Franchisee. Before the Opening Date, Franchisee must complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings, and signs, pursuant to the plans and specifications approved by Franchisor, and must comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Section 5. of this Agreement. If Franchisee fails to comply with any pre-opening obligations set forth in this Agreement, Franchisor has the right to prohibit Franchisee from opening. Franchisee's failure to open the Restaurant in compliance with these provisions will be deemed a material event of default under this Agreement.

4. TERM AND RENEWAL

A. Term. Unless sooner terminated as provided in this Agreement, this Agreement will begin on the Effective Date and will continue until 10 years from the Opening Date ("**Term**").

B. Renewal. Franchisee may, at its option, renew its rights under this Agreement for two, additional consecutive, terms of five years each, subject to any or all of the following conditions which must, at Franchisor's option, be met prior to and at the time of renewal:

(1) Franchisee must give Franchisor written notice of Franchisee's election to renew not less than 12 months nor more than 18 months before the end of the initial Term;

(2) Franchisee must refurbish, repair, or replace, at Franchisee's cost and expense, all equipment, Computer Systems, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant as Franchisor may reasonably require and must otherwise upgrade the Restaurant to reflect the then-current standards and image of the System. Franchisee acknowledges that such requirements may include extensive changes, and Franchisee must commence such refurbishment, repair, replacement, and upgrades promptly upon notice from Franchisor (unless Franchisee elects not to renew its rights) and must complete such requirements as expeditiously as possible, but in any event prior to the commencement of the renewal term;

(3) Franchisee must not be in default of any provision of this Agreement or any amendment or successor hereto; neither Franchisee nor its affiliates may be in default of any other agreement with Franchisor or any of its affiliates; and Franchisee and its affiliates must have substantially and timely complied with the terms and conditions of such agreements during the respective terms thereof;

(4) Franchisee must have timely satisfied all monetary obligations owed to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates;

(5) Franchisee must present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the premises of the Restaurant during the renewal term or obtain Franchisor's consent to a new site for the Restaurant;

(6) Franchisee must execute Franchisor's then-current form of franchise agreement, which agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contribution or expenditure requirement;

(7) Franchisee must pay to Franchisor a renewal fee in an amount equal to 25% of the then-current initial franchise fee Franchisor requires to be paid in connection with the execution of a new HNJ Restaurant franchise agreement, plus the costs and expenses Franchisor incurs in connection with renewal, including, without limitation, reasonable legal and accounting fees and costs.

(8) Franchisee and its Principals must execute a general release of any and all claims against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state, or local laws, rules, regulations, or orders; and

(9) Franchisee must comply with Franchisor's then-current qualification and training requirements.

5. <u>FEES</u>

A. <u>Initial Franchise Fee</u>. Franchisee must pay Franchisor an initial franchise fee, which will be deemed fully earned and nonrefundable upon receipt by Franchisor, according to the following:

(1) If this Agreement is not executed contemporaneously with at least one, additional HNJ Restaurant franchise agreement, or if this Agreement is the first of at least two or more HNJ Restaurant franchise agreements to be executed contemporaneously, Franchisee will pay Franchisor an initial franchise fee of $50,000, minus the application fee credit, if any, upon the execution of this Agreement.

(2) If this Agreement is the second or subsequent HNJ Restaurant franchise agreement to be executed contemporaneously with at least one additional HNJ Restaurant franchise agreement, Franchisee will pay Franchisor an initial franchise fee of $37,500 upon the execution of this Agreement.

B. <u>Royalty Fee</u>. During the Term of this Agreement, Franchisee will pay to Franchisor a continuing weekly royalty fee in an amount equal to 4% of the Restaurant's Gross Sales for the immediately preceding week. The royalty fee will be paid by Franchisee to Franchisor via electronic funds transfer, or any other means reasonably specified by Franchisor, and will be due each Thursday during the Term of this Agreement, provided such day is a Business Day. If the date on which a royalty payment would otherwise be due is not a Business Day, then payment will be due on the next Business Day. For purposes of this Section 5.B., the Restaurant's first week of operation will begin on the Opening Date and will end on the following Sunday, and each subsequent week will begin on Monday and conclude on the following Sunday. On or before each Tuesday during the Term of this Agreement, Franchisee shall provide a Gross Sales Report to Franchisor.

C. Other Fees and Payments. In addition to the initial franchise fee and weekly royalty, Franchisee must pay when due all other fees or amounts described in this Agreement and in any other agreement between Franchisee and Franchisor or Franchisor's affiliates.

D. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by Franchisor on or before the due date will be deemed late. Time is of the essence for all payments to be made by Franchisee to Franchisor. All late and/or unpaid obligations under this Agreement will bear interest from the date due until paid at the lesser of 18% percent per annum, or the maximum rate allowed by applicable law. No provision of this Agreement will require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law is deemed charged, required, or permitted, any such excess will be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess will be repaid to the party having made the overpayment.

(2) Acceptance by Franchisor of any payments due subsequent to the due date will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Principals of any terms, provisions, covenants, or conditions of this Agreement.

(3) Franchisor has the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its affiliates under this Agreement or any other agreement between them, even if Franchisee has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Franchisee without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be considered as an accord or satisfaction.

(4) Franchisee has no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Franchisee.

(5) Franchisee will promptly pay to Franchisor an amount equal to all taxes levied or assessed, imposed upon, or required to be collected or paid by Franchisor by reason of the furnishing of products, intangible property (including trademarks), or services to Franchisee, including unemployment taxes, sales taxes, use taxes, withholding taxes, value added taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties, and/or any similar taxes or levies. In the event of a bona fide dispute as to Franchisee's liability for taxes, Franchisee may contest its liability in accordance with applicable law.

E. Electronic Funds Transfer. At Franchisor's request, Franchisee will execute Exhibit E to this Agreement and all other documents necessary to permit Franchisor to withdraw funds from Franchisee's designated bank account by electronic funds transfer ("**EFT**") in the amount of the royalty fee in Section 5.B., the Advertising Fund contribution described in Section 9.C., and any other amounts due under this Agreement at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales will be based on the information obtained by Franchisor pursuant to Section 8.G. of this Agreement or the Gross Sales Report. If Franchisor has not received the Gross Sales Report within the time period required by this Agreement, then Franchisor may process an EFT for the subject week based on the most recent Gross Sales Report provided to Franchisor by Franchisee; provided that, if a Gross Sales Report for the subject week is subsequently received and reflects **(i)** that the actual amount of the fee due was more than the amount of the EFT, then Franchisor will be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or **(ii)** that the actual amount of the fee due was less than the amount of the EFT, then Franchisor will credit the excess amount to the payment of Franchisee's future obligations. Should Franchisee's bank fail to honor any EFT for any reason, then Franchisee will, for each such occurrence, be responsible for **(i)** that payment and any service charge and **(ii)** payment of a fee of $100 which will be immediately due and payable from Franchisee to Franchisor. If any payments are not received when due, interest may be charged in accordance with Section 5.D. Upon written notice to Franchisee, Franchisor may designate another method of payment.

6. FRANCHISOR'S OBLIGATIONS

Franchisor will provide, or cause the following services to be provided:

A. Site Selection Assistance. Site selection guidelines and such site selection assistance as Franchisor may deem advisable.

B. On-Site Evaluation. Franchisor will conduct one in-market site selection/site evaluation visit at no cost, but Franchisee must reimburse Franchisor for Franchisor's out-of-pocket costs, including but not limited to Franchisor's travel-related expenses and any costs Franchisor incurs to obtain site analytics services. (Lodging must be at a mid-range hotel or higher.) If Franchisee requests, or if Franchisor deems necessary, additional in-market site selection/site evaluation visits, then Franchisee must pay Franchisor $300 per day for each visit, in addition to the out-of-pocket costs described above. Notwithstanding the foregoing, Franchisor will not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site pursuant to Section 3.B. above.

C. Prototype Plans. Access to a set of prototypical architectural and design plans and specifications for an HNJ Restaurant.

D. Manuals. Access to one set of the Manuals, which may be in electronic and/or paper format, as determined by Franchisor.

E. Training. An initial training program for Franchisee's Operating Principal, Restaurant Manager, and other Restaurant personnel designated by Franchisor and additional training programs in accordance with Section 7.G.

F. Opening Assistance. Franchisor or its affiliates will provide the number of people it deems necessary to provide on-site pre-opening and opening assistance for an initial seven-day period. Franchisee does not have the option to decline the opening assistance described in this section. If Franchisee requests, or Franchisor deems it necessary, Franchisor will provide on-site assistance beyond the initial seven-day period. Franchisee must reimburse Franchisor for all travel-related expenses incurred by Franchisor in connection with all on-site assistance, including, without limitation, the cost of travel, lodging, meals, and wages and pay Franchisor a $75 per diem for each person who provides such on-site opening assistance. (Lodging must be at a mid-range hotel or higher.)

G. Remedial Training. Upon Franchisee's reasonable request or if Franchisor determines it to be necessary during the Term of this Agreement, on-site remedial training; provided that, remedial training will be conducted subject to the availability of Franchisor's personnel. Franchisor may require Franchisee to pay the per diem fee then being charged for on-site remedial training and pay or reimburse Franchisor for the expenses incurred by its representatives, including the costs of travel, lodging, meals, and wages. (Lodging must be at a mid-range hotel or higher.)

H. Software Programs. For a reasonable fee, any Software Programs that Franchisor requires for use in the System; provided, that Franchisor is under no obligation to develop or acquire such Software Programs.

I. Inspections. Inspections of the Restaurant and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor.

J. Advertising. Administration of an Advertising Fund in accordance with Section 9. Franchisor may also provide to Franchisee, at a reasonable cost, any advertising and promotional materials Franchisor may develop from time to time for use in marketing and promoting HNJ Restaurants.

K. Operational Advice. As Franchisor deems necessary, advice and written materials concerning techniques for managing and operating HNJ Restaurants, including new developments and improvements in System equipment and System products. Franchisor may provide such advice and assistance in person, by telephone, e-mail, seminars, Webinars, or other means Franchisor determines to be reasonable. Franchisee acknowledges and agrees that any rights or duties of Franchisor may be exercised and/or performed by any of Franchisor's designees, agents (who may be unaffiliated third parties), or employees.

L. Collateral Merchandise; Equipment; Decor Items. From time to time in Franchisor's discretion and at a reasonable cost, certain merchandise identifying the System, such as caps, t-shirts, and other System memorabilia, in sufficient amounts to meet customer demand or a specific amount we require, and/or certain equipment, decor items, or other products and services.

M. Approved Suppliers. From time to time as Franchisor deems appropriate a list of approved suppliers.

7. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Continuing Obligations. Franchisee and its Principals make the following representations, warranties, and covenants and accept the following obligations. Such representations, warranties, and covenants are continuing obligations, and Franchisee and its Principals acknowledge and agree that any failure to comply with any of all of them will constitute a material event of default under this Agreement. Franchisee will cooperate with Franchisor to verify compliance with the following representations, warranties, and covenants.

B. Franchisee's Investigation of this Franchise.

(1) Franchisee acknowledges having received Franchisor's franchise disclosure document within the time period required by applicable law before Franchisee executed this Agreement or paid any consideration to Franchisor. Franchisee further acknowledges that Franchisee has read this Agreement and Franchisor's franchise disclosure document and that Franchisee understands the terms of this Agreement and accepts them as being reasonably necessary for Franchisor to maintain the uniformity of HNJ Restaurants and to protect the goodwill of the Marks and integrity of the System.

(2) Franchisee acknowledges having conducted an independent investigation of the business contemplated by this Agreement and recognizes that an investment in an HNJ Restaurant involves business risks; that Franchisee's success is largely dependent on its own abilities and efforts; and that the nature of HNJ Restaurants may change over time. Franchisee has not received or relied upon any guaranty or assurance, express or implied, as to the revenues, profits, or success of the business contemplated by this Agreement.

(3) Franchisee understands and agrees that Franchisor may operate and change the System and the business in any manner that is not expressly and specifically prohibited by this Agreement.

(4) Franchisee expressly understands and acknowledges that it is relying solely on HNJ Franchise Inc., and not on any affiliated entities or parent companies related to HNJ Franchise Inc., with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially backs Franchisor.

C. Franchisee's Organization. If Franchisee is a corporation, partnership, limited liability company, or other legal entity:

(1) Franchisee is duly organized and validly existing under the law of the state of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate governance documents will, at all times, provide that the activities of Franchisee are confined exclusively to the operation of HNJ Restaurants. Franchisee warrants and represents that neither Franchisee nor any of its affiliates or owners own, operate, or have any financial or beneficial interest in any business that is the same or similar to an HNJ Restaurant;

(4) The execution of this Agreement and the performance of the transactions contemplated by this Agreement are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or a limited liability company, are permitted under Franchisee's written partnership or limited liability company agreement and have been duly authorized by Franchisee; and

(5) Franchisee has provided to Franchisor prior to the execution of this Agreement, and will from time to time during the Term of this Agreement at Franchisor's request provide to Franchisor, copies of Franchisee's articles of incorporation and bylaws or, as applicable, Franchisee's written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing Franchisee's entry into and performance of this Agreement, and any certificates, buy-sell agreements, or other documents restricting the sale or transfer of Franchisee's stock or other ownership interests and any other documents that Franchisor may reasonably request.

D. Franchisee's Ownership.

(1) If Franchisee is a corporation, partnership, limited liability company, or other legal entity, the ownership interests in Franchisee are accurately and completely described in Exhibit D. Franchisee will maintain at all times a current list of all of Franchisee's Principals and to make the list of Franchisee's Principals available to Franchisor upon request.

(2) If Franchisee is a corporation, Franchisee will maintain stop-transfer instructions against the transfer on its records of any of its equity securities, and each stock certificate representing stock of the corporation will have contain a conspicuous statement, in a form satisfactory to Franchisor, that such stock certificate is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement will provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) If required by Franchisor, Franchisee will cause Franchisee's Principals who do not sign the Guaranty and Assumption Agreement attached as Exhibit A (as set forth in Section 7.E.(2)) to each execute the Confidentiality Agreement and Ancillary Covenants in the form of Exhibit B to this Agreement.

(4) If, after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals, or if any individual succeeds to or otherwise comes to occupy a position which, upon designation by Franchisor, would qualify him as one of Franchisee's Principals, Franchisee will notify Franchisor within 10 days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals such person will execute all documents and instruments (including, the Principals' Guaranty and Assumption Agreement or the Confidentiality Agreement and Ancillary Covenants, as applicable) as Franchisor may require others in such positions to execute.

E. Franchisee's Financial Matters.

(1) Franchisee, and at Franchisor's request, each of the Principals have provided Franchisor with the most recent financial statements of Franchisee and such Principals. Such financial statements present fairly the financial position of Franchisee and each of the Principals, as applicable, at the dates indicated therein and, with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments, or obligations of any nature, whether accrued, unliquidated, absolute, contingent, or otherwise, which are not reflected as liabilities on the financial statements.

(2) The Principals that Franchisor designates must jointly and severally guarantee the performance of Franchisee's obligations under this Agreement, pursuant to the terms and conditions of the Principals' Guaranty and Assumption Agreement attached hereto as Exhibit A, and will otherwise bind themselves to the terms of this Agreement as stated herein.

(3) At Franchisor's request, Franchisee will provide Franchisor with any and all loan or other documents regarding the financing of the Restaurant.

(4) Franchisee will maintain, at all times during the Term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement.

F. Franchisee's Management. Upon the execution of this Agreement, Franchisee will designate, and will retain at all times during the Term of this Agreement, an individual to serve as Franchisee's Operating Principal. If Franchisee is an individual, Franchisee will perform all obligations of the Operating Principal.

(1) The Operating Principal must maintain a direct or indirect ownership interest of not less than 10% in Franchisee. The Operating Principal must meet Franchisor's qualifications and must be approved by Franchisor. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee must be and must remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest, or purchase right or options. The Operating Principal must execute this Agreement as a Principal and will be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal, and a Principal hereunder.

(2) Notwithstanding Section 7.F.(1), Franchisee may, at its option and subject to Franchisor's written consent, designate a Restaurant Manager to supervise the operation of Franchisee's HNJ Restaurant; provided that, Franchisee and its Operating Principal will remain fully responsible for Restaurant Manager's performance. The Restaurant Manager and other personnel of Franchisee who have access to Confidential Information must execute the Confidentiality Agreement and Ancillary Covenants Not to Compete attached as Exhibit B to this Agreement.

(3) Franchisee must designate not later than 90 calendar days before the Opening Date and retain at all times during the Term of this Agreement the Operating Principal or Restaurant Manager that will directly supervise the operation of Franchisee's Restaurant.

(4) Unless a Restaurant Manager is designated pursuant to Section 7.F.(2), Franchisee's Operating Principal must devote full time and best efforts to the supervision of the HNJ Restaurant operated by Franchisee and, without Franchisor's written consent, will not engage in any other business. The foregoing provision will not apply if a Restaurant Manager is designated, provided that the Restaurant Manager must devote his or her full time and best efforts to the supervision and operation of Franchisee's HNJ Restaurant.

(5) The Operating Principal and any Restaurant Manager must meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing and, without limitation, must be empowered with full authority to act for and on behalf of Franchisee.

Franchisee must promptly notify Franchisor if the Operating Principal or Restaurant Manager cannot continue to serve in that capacity or no longer qualifies as such and must take corrective action within 30 days thereafter. During such 30-day period, Franchisee must provide for interim management of its operations in accordance with this Agreement. Any failure to comply with this Section 7.F. will be a material breach of this Agreement.

G. Training. Franchisee's Operating Principal, Restaurant Manager, and other Restaurant personnel designated by Franchisor must successfully complete Franchisor's initial training program prior to the Opening Date. Any successor or replacement Operating Principal or Restaurant Manager must successfully complete Franchisor's initial training program within a reasonable time after such persons are designated. Such persons, and any other personnel of Franchisee whom Franchisor may designate, must attend and complete any additional training that Franchisor may from time to time require. Training will be conducted at locations designated by Franchisor.

(1) Initial training for Franchisee's Operating Principal, Restaurant Manager, and other designated personnel is provided at no additional charge; however, Franchisor reserves the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs. Franchisee will be responsible for any and all expenses incurred in connection with any initial or additional training, including, without limitation, the costs of travel, lodging, meals, and wages incurred by Franchisee, its Operating Principal, Restaurant Manager, and other designated personnel. (Lodging must be at a mid-range hotel or higher.)

(2) If the Operating Principal, Restaurant Manager, or other designated personnel fails, in Franchisor's sole judgment, to satisfactorily complete Franchisor's initial training program, and Franchisee fails to cure such default within 90 days following written notice from Franchisor, Franchisor may terminate this Agreement.

H. Legal Compliance. In addition to complying with its obligations under this Agreement, Franchisee must comply with all applicable federal, state, and local laws, rules, regulations, ordinances, and orders. Such laws, rules, regulations, ordinances, and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances, and orders and to adhere to them at all times during the Term of this Agreement. Without limiting the foregoing, Franchisee certifies that neither Franchisee nor any of its Principals, employees, or anyone associated with Franchisee is listed in connection with any Anti-Terrorism Law, and Franchisee will not to hire or have any dealings with a person so listed. Franchisee further certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, its Principals, employees, or anyone associated with Franchisee being so listed. Franchisee will comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, Franchisee represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its Principals are not otherwise in violation of any of the Anti-Terrorism Laws.

I. Powers of Attorney. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact, with full power and authority to **(i)** assign to Franchisor upon the termination or expiration of this Agreement **(a)** all rights to the telephone numbers of the Restaurant, any related business directory listings, and all rights to any Website listings or services, search engines or systems, and any other business listings related to the Restaurant and **(b)** at Franchisor's option, Franchisee's interest in any lease for the premises of the Restaurant and any equipment used in the operation of the Restaurant; and (ii) obtain any and all returns and reports related to the Restaurant that Franchisee files with any local, state, or federal taxing authority. Such powers of attorney will survive the expiration or termination of this Agreement, and Franchisee will execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

J. Best Efforts. Franchisee will use its best efforts to operate the Restaurant as to achieve optimum sales.

K. Continuing Obligations. Franchisee and Franchisee's Principals make the foregoing representations, warranties, and covenants understanding that such representations, warranties, and covenants are continuing obligations. Franchisee will cooperate with Franchisor to verify Franchisee's and Franchisee's Principals' continuing compliance with such representations, warranties, and covenants. Any failure to comply with these representations, warranties, and covenants will constitute a material event of default under this Agreement.

L. No Competing Interests. Franchisee warrants and represents that neither Franchisee nor any of its affiliates or Principals own, operate, or have any financial or beneficial interest in any business that is the same as or similar to an HNJ Restaurant (including, without limitation, any food service facility which offers as a primary menu item or mix of menu items seafood, including crawfish, or similar menu items).

8. RESTAURANT OPERATIONS

A. Standards Compliance. Franchisee acknowledges the importance of maintaining uniformity among all of the HNJ Restaurants and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the HNJ Restaurants. To protect the reputation and goodwill associated with the Marks and the System and to maintain high standards of operation under the Marks and System, Franchisee shall conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of HNJ Restaurants.

B. System Modification. Franchisee acknowledges that the System, the Manuals, and the products and services offered by and at the Restaurant may be modified (such as, but not limited to, the addition, deletion, and modification of menu items, operating procedures, products, and services) from time to time by Franchisor. Franchisor will notify Franchisee of any such System changes, and Franchisee will implement any System changes upon receipt of notice from Franchisor and complete their implementation within such time as Franchisor requires, all at Franchisee's expense. Franchisor reserves the right to materially vary its standards and franchise agreement terms for any franchisee depending on the circumstances, including but not limited to, timing of the grant of the franchise, trade area/market variables, local business practices, population, or any other condition which Franchisor considers important to the operation of HNJ Restaurants, and Franchisee acknowledges Franchisor's right to take such actions. Franchisee has no right to require Franchisee to disclose any variation or to grant to it the same or a similar variation.

C. Maintenance of the Restaurant. Franchisee shall maintain the Restaurant in a high degree of sanitation and repair and shall make such additions, alterations, repairs, and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, decor, and equipment (including, but not limited to, point of sale or Computer System) as Franchisor may reasonably direct. Franchisee also shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies, and other products and materials which Franchisor may reasonably require for Franchisee to offer and sell new services or products from the Restaurant or to provide such services or products by alternative means. No alterations, improvements, or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures, or furnishings shall be made in or about the Restaurant without Franchisor's prior written approval.

D. Upgrade of the Restaurant. Upon Franchisor's request, Franchisee shall make such improvements to the Restaurant to conform it to Franchisor's then-current standards and specifications, including the addition of any new or additional equipment, Computer System hardware or software, furniture, fixtures, supplies, and other products and materials, which Franchisor may reasonably require for Franchisee to offer and sell new services or products from the Restaurant or to provide such services or products by alternative means. Without limiting the foregoing, if Franchisor requires, Franchisee will make any capital improvements required by this Section 8.D. on or after the 7th anniversary of the Opening Date and thereafter in seven-year intervals, or at such other time during the Term of this Agreement that a majority of the HNJ Restaurants then operated by Franchisor or its affiliates have made or are utilizing best efforts to make such improvements. Failure to comply with this Section 8.C. shall constitute an event of default under Section 18.D. of this Agreement.

E. Sourcing.

(1) Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment, Computer Systems, and other products used or offered for sale at the Restaurant. If Franchisor has approved or designated suppliers for any such item (including manufacturers, distributors, and other sources), Franchisee must obtain these items from those suppliers. Franchisee acknowledges and agrees that **(a)** Franchisor may change the number of approved suppliers at any time and may designate itself, an affiliate, or a third party as the exclusive source for any particular item; **(b)** Franchisor may profit from Franchisee's purchases and leases from approved suppliers; and **(c)** Franchisor and/or its affiliates may receive payments, fees, commissions, or reimbursements from such suppliers in respect of Franchisee's purchases and leases.

(2) If Franchisee wishes to use any item or service that Franchisor has not yet evaluated or, for items that Franchisor requires Franchisee to purchase from designated or approved suppliers, if Franchisee wishes to purchase or lease any such item from a supplier that Franchisor has not yet approved, Franchisee must submit to Franchisor a written request for such approval. Franchisee shall not purchase or lease such item or service unless the item, service or supplier, as applicable, has been approved in writing by Franchisor. Franchisor is not required to approve any particular supplier, service or item. Franchisor shall have the right to require Franchisee to submit information, specifications, and samples to Franchisor to enable Franchisor to determine whether the item complies with Franchisor's standards and specifications and that the supplier meets Franchisor's criteria. Franchisor will approve or disapprove a proposed supplier within 45 days after the date on which Franchisor receives all requested information about the proposed supplier. Franchisor also has the right to send its representatives to inspect the supplier's facilities and to have samples from the supplier be delivered to Franchisor or to an independent laboratory designated by Franchisor for testing. Franchisee or the proposed supplier may be required to pay for the cost of the inspection and of the test (including Franchisor's administrative expenses). Franchisor may condition its approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. Franchisor reserves the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke its approval of the supplier if the supplier fails to continue to meet any of Franchisor's criteria. If Franchisor revokes its approval of any supplier, Franchisee will promptly discontinue use of that supplier. Franchisee's failure to comply with the provisions of this Section 8.E. shall be deemed a material breach of this Agreement.

F. Operational Requirements. Franchisee shall operate the Restaurant in full and strict conformity with Franchisor's methods, standards, and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee will:

(1) Sell or offer for sale all menu items, products (including, without limitation, alcoholic beverages), and services required by Franchisor utilizing the method, manner, and style of distribution prescribed by Franchisor. Distribution methods may include, but are not limited to, dine-in, carry-out, and catering services, and must be expressly authorized by Franchisor in writing, in the Manuals, or otherwise. Franchisee will comply with the terms of any such distribution program and, in connection therewith, to execute such documents or instruments that Franchisor may deem necessary.

(2) Sell and offer for sale only the menu items, products, and services that have been expressly approved for sale in writing by Franchisor and in the method, manner, and style of distribution

and presentation Franchisor requires; discontinue selling and offering for sale any menu items, products, or services and in any method, manner, or style of distribution which Franchisor may, in its sole discretion, disapprove in writing at any time; and refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent.

(3) Maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to Franchisor's standards and specifications; prepare all menu items in accordance with Franchisor's recipes and procedures for preparation; use the brand and/or type of ingredients required by Franchisor and the prescribed measurements of ingredients; and refrain from deviating from Franchisor's standards and specifications by using or offering non-conforming items or differing amounts of any items or otherwise, without Franchisor's prior written consent.

(4) Permit Franchisor or its agents, at any reasonable time, to remove samples of food or non-food items from the Restaurant, without payment, in amounts reasonably necessary for testing to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(5) Purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment, Computer Systems, decor items, signs, and related items that Franchisor may reasonably direct from time to time; and refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor items, signs, vending machines, or other items not previously approved as meeting Franchisor's standards and specifications.

(6) Grant Franchisor and its agents the right to enter the Restaurant and, in Franchisor's discretion, examine any motor vehicle used in connection with Restaurant operations, at any time for the purpose of conducting inspections; cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, take such steps as may be necessary to correct promptly any deficiencies detected during an inspection. Should Franchisee fail for any reason to correct such deficiencies within a reasonable time, as determined by Franchisor, Franchisor shall have the right and authority (but no obligation) to correct the deficiencies and charge Franchisee a reasonable fee payable on demand for Franchisor's expenses in taking the corrective action (including, without limitation, any necessary re-inspection). Further, Franchisor has the right, at any time and without notice, to monitor the security cameras that will be required to be installed by Franchisee at the Restaurant.

(7) Maintain the number of competent, conscientious, trained staff that Franchisor may from time to time prescribe in order to maintain Franchisor's standards and take any and all steps as are necessary to ensure that its employees preserve good customer relations and comply with any dress code Franchisor may prescribe.

(8) Only install and offer such video games, gaming machines, and/or vending machines as Franchisor has expressly approved in the Manuals or otherwise in writing.

(9) Keep the Restaurant open and in operation for the days and hours that Franchisor may from time to time prescribe and limit Franchisee's use of the premises to the operation of the franchised business.

(10) Upon the occurrence of a Crisis Management Event, immediately inform Franchisor by telephone, or as otherwise required by Franchisor, of such event and cooperate fully with Franchisor and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and the System, Franchisee must cooperate fully with Franchisor with respect to managing statements and other responses to the Crisis Management Event.

"**Crisis Management Event**" means any event that occurs at or about the Restaurant premises or in connection with the operation of the Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

G. Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices that Franchisee may charge for products or services.

H. Computer Systems. Franchisee will use the Computer System (if any) that Franchisor specifies from time to time for use in the operation of the Restaurant. Franchisor may modify the specifications and the components of any such Computer System from time to time, in Franchisor's discretion, and maintain high-speed Internet service at the band-width and speed Franchisor requires. As part of the Computer System, Franchisor may require Franchisee to obtain specified computer hardware and/or software, including, without limitation, a license to use Software Programs developed by Franchisor or others. Specifically, but without limiting the generality of the foregoing, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to independently access and retrieve electronically any information stored in Franchisee's Computer Systems, including, without limitation, information concerning the Restaurant's Gross Sales, at the times and in the manner that Franchisor may specify from time to time. Changes to the Computer System specifications may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the Term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the future costs of the Computer System (or additions or modifications thereto) and that the cost to Franchisee of obtaining the Computer System (including software licenses) and additions or modifications thereto may not be fully amortizable over the remaining Term of this Agreement. Nonetheless, Franchisee will pay such costs. Subject to Section 8.D., within 60 calendar days after Franchisee receives notice from Franchisor, Franchisee will obtain the components of the Computer System that Franchisor requires. Franchisee further acknowledges and agrees that Franchisor has the right to charge **(1)** a reasonable systems fee for any Software Programs or systems modifications and enhancements that are licensed to Franchisee and other maintenance and support services that Franchisor or its affiliates may furnish to Franchisee and **(2)** an Internet or other technology fee (which Franchisee will pay in accordance with Franchisor's invoice).

I. Customer Complaints. Franchisee will process and handle all consumer complaints connected with or relating to the Restaurant and will promptly notify Franchisor of all food related illnesses, safety or health violations, and any other claims against or losses suffered by Franchisee. Franchisee will also maintain any communications with governmental authorities affecting the Restaurant during the Term of this Agreement and for one year after the expiration or earlier termination hereof.

J. Internet Website. Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the bit speed required by Franchisor from time to time. Franchisee will not establish any Website or other listing on the Internet except as provided herein and will not use any of the Marks as part of any domain name, Web address, or e-mail address.

(1) Without Franchisor's prior written approval (which Franchisor may give or withhold in Franchisor's sole discretion, or, if granted, impose any condition Franchisor requires in its sole discretion), Franchisee may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, bulletin boards, social networking sites (e.g., Facebook), and news groups) in connection with the Restaurant. If Franchisor grants its approval for Franchisee's use of an Internet Website, Franchisee acknowledges that the form, content, and appearance of any Internet Website Franchisee uses must comply with the System standards and must be approved by Franchisor in writing before being used. Accordingly, Franchisee agrees that Franchisee has no authority

to, and Franchisee will not, establish any Website that creates any association with the Marks or the System, or post any advertisements or material on the Internet that depict or display the Marks or suggest an association with the System, without Franchisor's express prior written consent. Without limitation of the foregoing, if Franchisor requires, any Internet Website created by or for Franchisee must contain a hypertext link to Franchisor's Internet Website in the form Franchisor requires, and no other hypertext links to third-party Internet Websites unless previously approved in writing by Franchisor. Notwithstanding Franchisor's approval of a Website, Franchisor reserves the right to revoke approval at any time that the Website fails to continue to meet Franchisor's standards, and Franchisee agrees that upon such revocation, Franchisee will immediately discontinue use of the Website.

(2) Franchisee agrees that Franchisee has no authority to, and Franchisee will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation, or visual variation of the Marks) or the System without Franchisor's express prior written consent. Franchisee must obtain Franchisor's written approval for Franchisee's domain name prior to use. Franchisee's domain name must be registered in Franchisor's name and licensed to Franchisee by Franchisor. On termination or expiration of this Agreement, the license of the domain name to Franchisee will automatically terminate, and Franchisee will undertake all such actions that Franchisor requires to disassociate Franchisee with the domain name. Franchisee agrees that Franchisee's violation of any provision set forth in this Section 8.J. will constitute a material default under Section 18. of this Agreement.

(3) Franchisor has established an Internet Website that provides information about the System and the products and services offered by HNJ Restaurants. Franchisor has sole discretion and control over the Website (including timing, design, contents and continuation). Franchisor may use part of the Advertising Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance, and update of the Website. Franchisor may (but is not required to) include at the Website an interior page containing information about Franchisee's HNJ Restaurant. If Franchisor includes such information on the Website, Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting. Any modifications (including customizations, alterations, submissions, or updates) to the template made by Franchisee for any purpose will be deemed to be a "work made for hire" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as stated above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request. Without limiting Franchisor's general unrestricted right to permit, deny, and regulate Franchisee's participation on Franchisor's Website in Franchisor's sole discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate Franchisee's franchisee page and remove all references to the Restaurant operated hereunder on Franchisor's Website until the breach is cured.

(4) Franchisor also shall have the sole right (but no obligation) to develop an Intranet through which Franchisor and its developers and franchisees can communicate by e-mail or similar electronic means. If Franchisor develops such Intranet, Franchisee will participate in strict compliance with Franchisor's standards, protocols, and restrictions, including, without limitation, standards, protocols, and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory, or defamatory statements), as allowed by applicable law. Franchisor may, in its sole discretion, charge a reasonable fee for Intranet usage, which Franchisee agree to pay in accordance with Franchisor's invoice.

K. Liquor Licenses and Business Licenses. Franchisee will secure and maintain, at Franchisee's sole cost, any and all required state, county, and/or local liquor licenses required for the on-premises sale and consumption of alcoholic beverages at the Restaurant and any other business licenses required for the operation of the Restaurant.

9. ADVERTISING AND RELATED FEES

A. Promotional Programs.

(1) Franchisee shall participate in, and comply with the requirements of, any gift card, gift certificate, mystery shopper, or other quality assurance, customer loyalty, or retention, or special promotional program that Franchisor implements for all or part of the HNJ Restaurant franchise system and shall sign the forms and take any other action that Franchisor requires in order for Franchisee to participate in such programs. Franchisee will pay when due any fees or expenses associated with any such programs.

(2) In addition to the programs described in Section 9.A.(1), Franchisor may, from time to time, in its sole discretion, develop and administer advertising and sales promotion programs designed to promote all HNJ Restaurants operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor. The standards and specifications established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement, and choice of media, market areas, and advertising agencies, shall be final and binding upon Franchisee. Franchisee will implement any coupon, gift card, or customer loyalty card program that Franchisor may institute, and Franchisee acknowledges and agrees that any discount or coupon program Franchisee proposes to implement must first be approved by Franchisor.

B. Local Advertising.

(1) Franchisee shall spend at least 2% of the Restaurant's Gross Sales on local advertising. At Franchisor's request, Franchisee will submit to Franchisor a report (including substantiating receipts) detailing Franchisee's local advertising expenditures during the time period specified in the request. In addition, Franchisor has the right to review Franchisee's books and records from time to time to determine Franchisee's expenditures for local advertising and promotion. If Franchisor determines that Franchisee has not spent the requisite amounts, Franchisor may require Franchisee to pay such unexpended amounts to Franchisor to apply to local advertising. Franchisee may advertise permitted catering activities only in the Protected Area. Expenditures incurred for any of the following may not be included in local advertising expenditures for purposes of this Section 9.B., unless Franchisor first approves them in writing:

(i) Incentive programs for Franchisee's employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of Franchisee's employees,

(ii) Non-media costs incurred in any promotion;

(iii) Charitable, political, or other contributions or donations;

(iv) Materials consisting of fixtures or equipment to be located in the Restaurant;

(v) The cost of Internet listings and other business listings in such directories and categories as may be specified by Franchisor from time to time; and

(vi) Grand Opening expenditures incurred pursuant to Section 9.D.

(2) Franchisor shall have the right to designate any geographic area in which two or more affiliate-owned or franchised HNJ Restaurants are located as a region for purposes of establishing an advertising cooperative ("**Cooperative**"). If Franchisor elects to do so, each Cooperative will be organized and governed as, and will begin operation on a date, Franchisor determines. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. If a Cooperative is established for a geographic area that includes the Protected Area, Franchisee must execute the Cooperative documents promptly upon Franchisor's request and participate as a member of the Cooperative. Among other things, this means that **(i)** Franchisee must

submit to the Cooperative and to Franchisor all statements and reports that Franchisor or the Cooperative may require, and **(ii)** Franchisee must contribute to the Cooperative the amounts required by the Cooperative's governing documents; provided, that Franchisee's Cooperative contribution will be credited toward Franchisee's local advertising requirement under Section 9.B.(1).

C. Advertising Fund. Franchisor has established, or may in the future establish, an advertising program fund ("**Advertising Fund**") for the System. Upon not less than 30 days written notice to Franchisee, Franchisee will contribute to the Advertising Fund an amount equal to 2% of the Restaurant's Gross Sales. Such contributions shall be paid via EFT at the time and in the manner that royalty payments are due under Sections 5.B. and 5.E. Franchisor or its designee will administer the Fund as follows:

(1) Franchisor will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials, and endorsements, and the geographic, market, and media placement and allocation thereof. Franchisee agrees that the Fund may be used to pay the costs of preparing and producing video, audio, and written advertising materials; administering national, regional, and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an Internet Website; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

(2) The Fund will be accounted for separately from Franchisor's other funds and will not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs, travel expenses, and overhead as Franchisor may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion, and marketing materials; and collecting and accounting for contributions to the Fund. Franchisor may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all HNJ Restaurants to the Fund in that year, and the Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Fund and furnish the statement to Franchisee upon written request. Franchisor has the right to cause the Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity will have all of the rights and duties specified herein. All HNJ Restaurants owned by Franchisor and its affiliates will contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for an HNJ Restaurant.

(3) Franchisee acknowledges that the Fund is intended to maximize recognition of the Marks and patronage of HNJ Restaurants. Although Franchisor will endeavor to utilize the Fund to develop advertising and marketing materials and programs that will benefit all HNJ Restaurants, Franchisor undertakes no obligation to ensure that Fund expenditures will be directed toward any geographic area where the Restaurant operates or that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by HNJ Restaurants operating in that geographic area or that any HNJ Restaurant will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Franchisor may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain a Website for HNJ Restaurants. Except as expressly provided in this Section, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to collecting amounts due to, or maintaining, directing, or administering, the Fund.

(4) Fund contributions that are not spent in the year in which they are collected will be carried over to succeeding years. Franchisor reserves the right, upon 30 calendar days prior written notice to Franchisee, to defer, reduce, or suspend contributions to (and, if suspended, deferred, or reduced, to reinstate such contributions), and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies

on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding 12-month period.

D. Advertising Assessment. During each calendar year throughout the Term of this Agreement, Franchisee may be required to spend up to 4% of the Restaurant's Gross Sales on advertising. Initially, Franchisee is required to spend 2% of the Restaurant's Gross Sales on local advertising and 2% of the Restaurant's Gross Sales on the Advertising Fund. Upon written notice to Franchisee, Franchisor may vary the portion of the Advertising Assessment that Franchisee is required to spend for local advertising, Cooperative advertising, or as an Advertising Fund contribution; provided that in no event will Franchisee's total required expenditures for advertising exceed the Advertising Assessment specified herein.

E. Grand Opening. During the period of time beginning 30) days immediately before and ending 60 days immediately following the Opening Date ("**Grand Opening Period**"), Franchisee shall carry out a grand opening promotion for the Restaurant in accordance with Franchisor's standards, including, without limitation, those related to the type and size of the grand opening promotion. Franchisee will be required to spend a minimum of $5,000 during the Grand Opening Period on the grand opening promotion. Franchisor must approve all advertising items, methods, and media Franchisee uses in connection with such grand opening promotion in accordance with Section 9.F. Franchisee shall submit one or more expenditure reports to Franchisor, as Franchisor requires, accurately reflecting Franchisee's grand opening expenditures. Amounts paid for the initial grand opening promotion will not be credited toward any other obligation of Franchisee under this Section 9.

E. Internet Listings. Franchisee will place and pay the cost of Internet listings on such Websites and in such online directories and categories as Franchisor may specify from time to time in the Manuals or otherwise in writing. This cost is in addition to Franchisee's required Advertising Fund expenditures.

F. Advertising Approvals. All advertising and promotion by Franchisee in any medium shall be conducted in a dignified manner and shall conform to Franchisor's standards and specifications. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials, including, without limitation, those placed on the Internet pursuant to Section 9.E., prior to use if such plans and materials have not been prepared or previously approved by Franchisor during the 12-month period immediately preceding their proposed use. Franchisee shall submit any unapproved plans and materials to Franchisor at least 30 days before the applicable deadline for running the advertisement, and Franchisor shall approve or disapprove such plans and materials within 10 days after receiving them. Any materials that Franchisor does not disapprove within 10 days after Franchisor receives them shall be deemed approved. Franchisee shall not use any unapproved plans or materials until they have been approved by Franchisor and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor.

G. Franchisee Association Participation. If Franchisor establishes a franchisee association or similar program for HNJ Restaurant franchisees, Franchisee will join and participate in such program and pay any dues assessed for the administration of the program. Any such association or similar program will be governed by written bylaws established by Franchisor.

10. MARKS

A. Franchisee's Right to Use the Marks. Franchisor grants Franchisee the right to use the Marks during the Term of this Agreement in accordance with this Agreement and Franchisor's standards and specifications.

B. Franchisee's Agreements Regarding the Marks. Franchisee expressly acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the rights of Franchisor or its affiliates in and to the Marks. Nothing in this Agreement shall give Franchisee any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(3) Any and all goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to the benefit of Franchisor or its affiliates, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Franchisee shall not contest, or assist others to contest, the validity, or the interest, of Franchisor or its affiliates in the Marks.

(5) Any unauthorized use of the Marks shall constitute an infringement of Franchisor's or its affiliates' rights in the Marks and a material event of default under this Agreement. Franchisee shall provide Franchisor with all assignments, affidavits, documents, information, and assistance related to the Marks that Franchisor or its affiliates reasonably request, including all such instruments necessary to register, maintain, enforce, and fully vest the rights of Franchisor or its affiliates in the Marks.

(6) Franchisor shall have the right to substitute different trade names, trademarks, service marks, logos, and commercial symbols for the current Marks to use in identifying the System and the HNJ Restaurants operating under the System if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's sole cost and expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute marks.

C. Franchisee's Use of the Marks. Franchisee further agrees that Franchisee shall:

(1) Operate and advertise the Restaurant only under the name "HNJ CRAWFISH," without prefix or suffix, unless otherwise authorized or required by Franchisor. Franchisee shall not use the Marks as part of its corporate or other legal name.

(2) Identify itself as the owner of the Restaurant in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, and shall display a notice in such content and form and at such conspicuous locations on the premises of the Restaurant or on any vehicle used in the operation of the Restaurant as Franchisor may designate in writing.

(3) Not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(4) Comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations and execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

(5) Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor or the System as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to the content of such e-mail advertisements or solicitations as well as Franchisee's plan for transmitting such advertisements. In addition, Franchisee shall be solely responsible for compliance with any laws pertaining to sending e-mails including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act of 2003).

D. Infringement. Franchisee shall notify Franchisor promptly of any apparent infringement of or challenge to Franchisee's use of any Mark and of any claim by any person of any rights in any Mark. Franchisee and the Principals shall not communicate with any person other than Franchisor, its affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge or claim. Franchisor shall have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee will execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any affiliate in the Marks.

E. Domain Names. Franchisee acknowledges that Franchisor is the lawful, rightful, and sole owner of the Internet domain name *www.hotnjuicycrawfish.com*, and any other Internet domain names registered by Franchisor, and unconditionally disclaims any ownership interest in those or any colorably similar Internet domain name. Franchisee will not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or its affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words.

F. No Warranty by Franchisor. Franchisor disclaims all warranties, representations, or conditions of any nature regarding the Marks, including any express or implied warranty that the Marks may be used, or that the Marks do not infringe the rights of any third party. Franchisee acknowledges and agrees that: **(i)** Franchisor makes no representation that any Marks for which applications are currently pending, or for which applications may be filed in the future, will be registered; **(ii)** Franchisor makes no representation that any Marks will continue to be registered; and **(iii)** Franchisor will have no liability to Franchisee or its owners if Franchisor or its affiliates do not obtain registrations for one or more of the Marks. In the event that Franchisor or its affiliates cannot obtain the registration of one or all of the Marks, Franchisee will discontinue all usage of such Marks in accordance with Franchisor's instructions in writing. Franchisor shall in no way be liable for any damages as a result of the inability to obtain registration of the Marks. Franchisor or its affiliate's failure to achieve such registration of any of the Marks shall not constitute a breach or violation of this Agreement.

11. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. The Manuals are Franchisor's property, and Franchisee will return them to Franchisor at Franchisor's request and in any event when this Agreement expires or is terminated for any reason. Franchisee and the Principals must at all times maintain the Manuals, and the information contained in them, as confidential in accordance with this Section 11. Franchisee may make the Manuals available only to those of Franchisee's owners and employees who must have access to them to operate the Restaurant and may not at any time copy, duplicate, record, or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. Franchisee will maintain the Manuals in a secure place at the Restaurant. Franchisor has the right to add to or modify the Manuals from time to time. Franchisee shall comply with the terms of all additions and modifications to the Manuals and shall keep the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at Franchisor's offices shall control. The entire contents of the Manuals and Franchisor's mandatory specifications, procedures, and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein. Franchisor will charge a replacement fee of $500 for any replacement Manuals requested by Franchisee.

B. Nondisclosure of Confidential Information. Franchisor will disclose to Franchisee those parts of Franchisor's Confidential Information Franchisor deems necessary or advisable from time to time for the establishment and operation of the Restaurant. Franchisee agrees that Franchisee and its Principals will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to Franchisee in operating the Restaurant during the Term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. Franchisee will disclose the Confidential Information to its Principals and employees only to the extent reasonably necessary for the operation of the Restaurant pursuant to this Agreement. Franchisor's Confidential Information is proprietary, includes trade secrets owned by Franchisor and Franchisor's affiliates, and is disclosed to Franchisee solely on the condition that Franchisee agree, and Franchisee: **(i)** will not use the Confidential Information in any other business or capacity; **(ii)** will maintain the confidentiality of the Confidential Information during and after the Term of this Agreement; **(iii)** will not make unauthorized copies of any portion of the Confidential Information; and **(iv)** will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Restaurant personnel and others. These covenants shall survive the expiration, termination, or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Principals.

C. Noncompetition Covenants. Franchisee and the Principals specifically acknowledge that, pursuant to this Agreement, they will receive access to valuable training, trade secrets, and Confidential Information which are beyond their present skills and experience, including, without limitation, information regarding operational, sales, promotional, and marketing methods and techniques of the System. Franchisee and the Principals further acknowledge that such specialized training, trade secrets, and Confidential Information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement. Accordingly, Franchisee and the Principals covenant as follows:

(1) With respect to Franchisee, during the Term of this Agreement (or with respect to each of the Principals, for so long as such person satisfies the definition of "Principal" under this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Principals shall, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other person, legal entity, or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of the Restaurant to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any Competitive Business which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks or operates or licenses others to operate a business under the Marks or similar marks.

(2) With respect to Franchisee, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee's interest in, this Agreement (or, with respect to each of the Principals, commencing upon the earlier of **(i)** the expiration or termination of, or transfer of all of Franchisee's interest in, this Agreement or **(ii)** the time such individual or entity ceases to satisfy the definition of "Principal" under this Agreement) and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any other person, legal entity, or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of HNJ Restaurants to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any Competitive Business which is, or is intended to be, located **(i)** at the Location, **(ii)** within the Protected Area, or **(iii)** within a 10-mile radius of the Location; or **(iv)** within a 10-mile radius of any location of any HNJ Restaurant then in existence or under development.

(3) The parties agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each such covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 11.C. is held unreasonable or unenforceable by a court having valid jurisdiction

in an unappealed final decision to which Franchisor is a party, Franchisee and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 11.C.

(a) Franchisee and the Principals acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 11.C. without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Principals agree that they shall promptly comply with any covenant as so modified.

(b) Franchisee and the Principals expressly agree that the existence of any claims they may have against Franchisor, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 11.C.

D. Improvements. If Franchisee, its employees, or Principals develop any new concept, process, or improvement in the operation or promotion of an HNJ Restaurant ("**Improvement**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information. If Franchisor determines that the Improvement is beneficial to the System, Franchisee and its Principals agree to assign to Franchisor, without compensation for use in the System, any rights Franchisee or its Principals may have or acquire in the Improvements, including the right to modify the Improvement, and to waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and its Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and its Principals hereby irrevocably designate and appoint Franchisor as the agent and attorney-in-fact of Franchisee and its Principals to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. Notwithstanding the foregoing, if Franchisor determines that the Improvement is not beneficial to the System, then Franchisee shall retain all rights in the Improvement and may use it in the operation of Franchisee's HNJ Restaurant with Franchisor's consent, which shall not be unreasonably withheld. In the event that the foregoing provisions of this Section 11.D. are found to be invalid or otherwise unenforceable, Franchisee and its Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein.

E. Injunctive Relief. Franchisee and the Principals acknowledge that any failure to comply with the requirements of this Section 11. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Franchisee and the Principals accordingly consent to the issuance of an injunction prohibiting any conduct by them in violation of the terms of this Section 11., without the requirement that Franchisor post a bond. Franchisee and the Principals agree to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in connection with the enforcement of this Section 11., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of such Section, or any part thereof.

F. Execution of Covenants by Franchisee's Principals and Management. Franchisee will require and obtain the execution of covenants similar to those set forth in Sections 11.B. and C. from all Principals not signing the Principals Guaranty and Assumption Agreement, from the Restaurant Manager, and other personnel of Franchisee who have access to Confidential Information. These covenants must be substantially in the form set forth in Exhibit B; however, Franchisor reserves the right, in its sole discretion, to decrease the scope of the noncompetition covenant set forth in Exhibit B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

12. BOOKS AND RECORDS

A. Maintenance of Books and Records. Franchisee shall maintain during the Term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals, and shall preserve for at least five years from the date of preparation, full, complete, and accurate books, records, and accounts of the Restaurant, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals, and ledgers. Unless Franchisor otherwise agrees, Franchisee shall engage a third-party bookkeeping service or accountant to provide bookkeeping services with respect to the Restaurant and shall engage a third-party payroll service to provide payroll services for Restaurant payroll.

B. Reporting. In addition to other reports required by this Agreement, Franchisee will submit to Franchisor, in the form Franchisee prescribes from time to time and at Franchisee's expense:

(1) At Franchisor's request, a monthly income statement (which may be unaudited), signed by Franchisee's treasurer, chief financial officer, or comparable officer attesting that it is true, complete, and correct.

(2) Not later than April 15 after the end of each calendar year during the Term of this Agreement, Franchisee's complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to Franchisor and showing the results of Franchisee's operations during such calendar year.

(3) Not later than 10 days after filing, copies of Franchisee's federal income tax returns (including any extension requests) and within 10 days after the end of each calendar quarter, copies of Franchisee's state sales tax returns. If the Restaurant is in a state which does not impose a sales tax, Franchisee will submit a copy of Franchisee's state income tax return (including any extension requests) not later than 10 days after filing.

(4) At the times reasonably required by Franchisor, such other forms, reports, records, information, and data as Franchisor may reasonably designate.

C. Audits. Franchisor or its designees shall have the right at all reasonable times to review, audit, examine, and copy Franchisee's books and records relating to the Restaurant. If any required payments to Franchisor are delinquent, or if an examination or audit should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall pay to Franchisor upon demand the amount overdue or understated with interest determined in accordance with Section 5.D. If an examination or audit discloses an understatement in any report of 2% or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the audit (including, without limitation, reasonable accounting and attorneys' fees and costs). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

D. No Waiver. Franchisor's receipt or acceptance of any of the statements furnished or amounts paid to Franchisor (or the cashing of any check or processing of any electronic fund transfer) shall not preclude Franchisor from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, Franchisee shall immediately correct the error and make the appropriate payment to Franchisor.

E. Authorization to Release Information. Franchisee hereby authorizes (and will execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Restaurant which Franchisor may request. Franchisee further authorizes Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable.

13. INSURANCE; CONDEMNATION AND CASUALTY

A. Insurance.

(1) Coverage Requirements. Not later than the earlier of **(i)** 60 calendar days before the Opening Date or **(ii)** when Franchisee signs the lease agreement (or later date if authorized by Franchisor in writing), Franchisee must procure, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, its affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the operation of the Restaurant. Franchisee must maintain these policies in full force and effect at all times during the Term of this Agreement. The policies shall be written by a responsible carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and otherwise reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may be required by the terms of any lease or mortgage covering Franchisee's Restaurant or as may be reasonably be specified by Franchisor from time to time in writing), the following: **(a)** "all risk" property insurance with replacement cost coverage, including business interruption insurance, customarily obtained by similar businesses in the Restaurant's principal trade area; **(b)** comprehensive general liability insurance, including products and contractual, in an amount of not less than $2,000,000 combined single limit (umbrella limits may be used to satisfy this requirement; **(c)** automobile liability coverage, including coverage of owned, non-owned, and hired vehicles with coverage in amounts not less than $1,000,000 combined single limit; **(d)** workers' compensation insurance in amounts required by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to us with employers' liability limits of $1,000,000/$1,000,000/$1,000,000; **(e)** employment practices liability in an amount not less than $500,000; **(f)** data/privacy breaches in an amount not less than $1,000,000; **(g)** liquor liability in an amount not less than $600,000; and **(h)** such other insurance as may be required by the landlord of the Restaurant premises and the state or locality in which the Restaurant is located.

(2) Deductibles; Waiver of Subrogation. Franchisee may elect to have reasonable deductibles in connection with the coverage required under Sections 13.A.(1)(a)-(h) hereof. Such policies shall also include a waiver of subrogation in favor of Franchisor, its affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them.

(3) Builder's Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, Franchisee shall maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

(4) No Limitation of Other Obligations. Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16. of this Agreement. All policies of insurance Franchisee carries will be primary to any policies carried by Franchisor.

(5) Additional Insured Designation. All insurance policies required hereunder, with the exception of workers' compensation, shall name Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, as additional insureds, and shall expressly provide that their interest shall not be affected by Franchisee's breach of any policy provisions. All public liability and property damage

policies shall contain a provision that Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents, or employees.

(6) Certificates of Insurance. Upon the execution of this Agreement, and 30 calendar days prior to the expiration of any policy required under this Agreement, Franchisee will deliver to Franchisor certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required under this Section 13.; provided, however, that the limits required under this Section 13. are merely the minimum required limits and do not relieve Franchisee of Franchisee's responsibility to ensure that the limits and coverages Franchisee maintains are adequate to protect Franchisee's interests. In addition, if Franchisor requests, Franchisee will deliver to Franchisor a copy of the insurance policy or policies required. All required insurance policies must expressly provide that Franchisor is entitled to no less than 30 days prior written notice in the event of a material alteration to or cancellation of the policies.

(7) Remedies. Should Franchisee fail to procure or maintain the insurance required by this Agreement, Franchisor shall have the right and authority but no obligation to procure such insurance and to charge the cost of such insurance to Franchisee, together with a reasonable fee for Franchisor's expenses, which shall be payable by Franchisee upon demand. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

B. Condemnation and Casualty.

(1) Eminent Domain. Franchisee must give Franchisor notice of any proposed taking through the exercise of the power of eminent domain not later than five calendar days after Franchisee is notified. If Franchisee's Restaurant or a substantial part of Franchisee's Restaurant is to be taken, Franchisee may relocate Franchisee's Restaurant to any unrestricted area that Franchisee and Franchisor agree to in accordance with the procedures set forth in Section 3.A. If Franchisee reopens the Restaurant in accordance with Franchisor's specifications within one year of date Franchisee closed for relocation, the relocated Restaurant will be deemed to be the Restaurant licensed under this Agreement. If Franchisee does not reopen in accordance with Franchisor's specifications within the one-year period, then Franchisor may terminate this Agreement upon written notice to Franchisee.

(2) Repair of Casualty Damage. If Franchisee's Restaurant is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing Franchisee's Restaurant, Franchisee will immediately notify Franchisor, will repair or rebuild Franchisee's Restaurant in accordance with Franchisor's specifications, and will reopen Franchisee's Restaurant for business operations as soon as practicable (but in any event within one year after closing Franchisee's Restaurant), giving Franchisor advance notice of the date of reopening so that Franchisor may, in Franchisor's discretion, conduct an inspection of the Restaurant before reopening. If Franchisee's Restaurant is not reopened in accordance with this paragraph, Franchisor may terminate this Agreement on written notice to Franchisee.

(3) Extension. The Term of this Agreement shall not be extended by any interruption in Franchisee's Restaurant operations except by an event of Force Majeure that results in Franchisee's Restaurant being closed not less than 60 calendar days nor more than 365 calendar days. Franchisee must apply for any such extension within 60 calendar days following the reopening of Franchisee's Restaurant.

14. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. Franchisee shall promptly pay when due all Taxes, levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in connection with the Restaurant. Franchisee is solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such taxes and for any liability (including penalties, interest, and expenses) arising from or concerning the payment of taxes, whether or not correctly or legally assessed. In no event will Franchisee permit a tax sale, seizure, or attachment to occur against Franchisee's Restaurant or any of its assets.

B. No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes.

C. Disputed Liability. In the event of any bona fide dispute as to Franchisee's liability for Taxes or other indebtedness, Franchisee may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the Restaurant.

D. Credit Standing. Franchisee recognizes that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by Franchisee in good faith, Franchisee will promptly pay when due all amounts owed by Franchisee to Franchisor, its affiliates, and other suppliers.

E. Notice of Adverse Orders. Franchisee shall notify Franchisor in writing within five calendar days of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

15. TRANSFER

A. By Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity without Franchisee's consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

B. By Franchisee and Principals. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Principals. Accordingly, neither Franchisee nor any Principal, nor any permitted successor or assign of Franchisee or any Principal, shall sell, assign, transfer, convey, merge, give away, pledge, mortgage, or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Restaurant or in Franchisee, whether or not such sale, assignment, transfer, conveyance, merger, gift, pledge, mortgage, disposition, or encumbrance constitutes a transfer or assignment under applicable law, without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach under this Agreement. If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement, or if Franchisee or a Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent but may require any or all of the following as conditions of its consent:

(1) All accrued monetary obligations of Franchisee and its affiliates to Franchisor and its affiliates arising under this Agreement, or any other agreement, shall have been satisfied in a timely manner, and Franchisee shall have satisfied all trade accounts and other debts of whatever nature or kind in a timely manner;

(2) Franchisee and its affiliates shall not be in default of this Agreement, or any other agreement with Franchisor or its affiliates, and shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;

(3) The transferor and its principals, if applicable, shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor and its affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with Franchisor or its affiliates, and under federal, state or local laws, rules, and regulations, or orders;

(4) The proposed transferee must demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current qualifications, and, at the transferee's expense, its operating principal, Restaurant manager, and any other personnel required by Franchisor shall complete any training programs then in effect for HNJ Restaurants upon such terms and conditions as Franchisor may reasonably require;

(5) The transferee shall, at its expense and within the time period reasonably required by Franchisor, renovate, modernize, and otherwise upgrade the Restaurant to conform to the then-current System image, standards, and specifications;

(6) The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants, and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company or other entity, those of transferee's principals who are designated as principals, also shall execute such agreement and guarantee the performance thereof;

(7) The transferee shall execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement, including higher fees, but the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company, or other entity, those of the transferee's principals shall execute such guaranty and assumption documents and Franchisor may require;

(8) The transferor shall remain liable for all of its obligations to Franchisor under this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(9) At or before closing of the transfer, Franchisee must reimburse Franchisor its actual costs and expenses associated with the transfer, including, but not limited to, legal and accounting fees and costs and pay Franchisor a transfer fee in an amount equal to 75% of Franchisor's then-current initial franchise fee that Franchisor generally charges to new HNJ Restaurant franchisees; provided, if the transferee is a then-current HNJ Restaurant franchisee that is approved by Franchisor (in its sole and absolute discretion) for additional expansion, then the applicable transfer fee to be paid by Franchisee to Franchisor will be in an amount equal to 50% of Franchisor's then-current initial franchise fee that Franchisor generally charges to new HNJ Restaurant franchisees;

(10) If transferee is a corporation, partnership, limited liability company or other entity, the transferee shall make all of the representations, warranties, and covenants in <u>Section 7.</u> as Franchisor may request, and shall provide evidence satisfactory to Franchisor that such representations, warranties and covenants are true and correct as of the date of the transfer;

(11) If the transfer relates to the grant a security interest in any of Franchisee's assets, Franchisor may require the secured party to agree that, in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee.

C. <u>Transfer for Convenience of Ownership</u>. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in <u>Section 15.B.</u>, except that <u>Sections 15.B.(4), (5), and (7)</u> shall not apply and the fee provided for in Section 15.B.(9) shall be limited to Franchisor's reasonable out-of-pocket costs and expenses (including legal and accounting fees and costs). In any transfer for the convenience of ownership, Franchisee shall be the owner of all the voting stock or ownership interests in the new entity, or, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in Franchisee prior to the transfer.

D. Right of First Refusal. If Franchisee or a Principal (in either case, "**proposed seller**") wishes to transfer any interest in this Agreement, the Restaurant, or Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then the proposed seller shall promptly notify Franchisor in writing of the offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within 30 calendar days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the proposed seller that Franchisor intends to purchase the proposed seller's interest on the terms and conditions offered by the third party. If Franchisor elects to purchase the proposed seller's interest, closing shall occur on or before 60 calendar days from the later of the date of Franchisor's notice to the proposed seller of its election to purchase and the date Franchisor receives all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, Franchisor may elect to purchase the proposed seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two appraisers. Each party shall select one appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If Franchisor exercises its right of first refusal, it shall have the right to set off all appraisal fees and other amounts due from Franchisee to Franchisor or any of its affiliates. A material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Franchisor's failure to exercise the option afforded by this Section 15.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 15.B. Failure to comply with this Section 15.D. shall constitute a material event of default under this Agreement.

E. Death or Permanent Disability. Franchisee or its representative shall promptly notify Franchisor of any death or claim of permanent disability subject to this Section 15.E. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section 15.B. for any inter vivos transfer.

(1) Upon the death of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person ("**Deceased**"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within six months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within six months after the death of the Deceased.

(2) Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 15. within six months after notice to Franchisee. "**Permanent disability**" means any physical, emotional, or mental injury, illness, or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least 90 consecutive days and from which condition recovery within 90 calendar days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 15.E. The costs of any examination required by this Section shall be paid by Franchisor.

F. Securities Offerings. Interests in Franchisee shall not be offered to the public by private or public offering without Franchisor's prior written consent, which shall not be unreasonably withheld. As a condition of its consent, Franchisor may, in its sole discretion, require that, immediately after such offering, Franchisee and the Principals retain a Controlling Interest in Franchisee. Franchisee shall give Franchisor written notice at least 30 calendar days before the commencement of any offering covered by this Section 15.F. and to submit all offering materials to Franchisor for review before they are filed with any governmental agency or distributed for use. Franchisor's review of the offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor. No offering shall imply that Franchisor is participating in an underwriting, issuance, or offering of securities. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the relationship of Franchisee and Franchisor. Franchisee, its Principals, and the other participants in the offering must fully indemnify Franchisor, its affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, Franchisee must pay Franchisor $10,000 plus reimburse Franchisor for Franchisor's reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

G. No Waiver. Franchisor's consent to the transfer of any interest described in this Section 15. shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand transferee's exact compliance with any of the terms of this Agreement.

H. Sublicense; Subcontracting Arrangements. Without limitation of the foregoing provisions of this Section 15., Franchisee may not enter into any sublicensing arrangement, sublease, subcontract or management agreement with respect to the Restaurant or the Location without Franchisor's express prior written consent.

16. INDEMNIFICATION

Franchisee will indemnify, defend and hold harmless Franchisor, Franchisor's affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of or in connection with Franchisee's employment relationships with its employees; the training Franchisee, its Principals, or any of its employees receive from Franchisor; Franchisee's breach of this Agreement; and/or Franchisee's operation of the Restaurant including, but not limited to, claims arising out of or as a result of the maintenance and operation of vehicles or the Location, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from Franchisor's gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to Franchisee, Franchisee's Principals, officers, directors, employees, independent contractors or affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution and travel and living expenses. Franchisor has the right to defend any such claim against Franchisor. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate Franchisor's, their or Franchisee's losses and expenses, in order to maintain and recover fully a claim against Franchisee. Franchisee agrees that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts Franchisor or another Indemnified Party may recover from Franchisee. The terms of this Section 16. shall survive the termination, expiration, or transfer of this Agreement or any interest herein.

17. INDEPENDENT CONTRACTOR

Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose. During the Term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its Restaurant operations pursuant to the rights granted by Franchisor. Nothing in this Agreement authorizes Franchisee or any of the Principals to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor shall in no event assume liability for, or be deemed liable under this Agreement, as a result of, any such action, or for any act or omission of Franchisee or any of the Principals or any claim or judgment arising therefrom. All employees hired by or working for Franchisee shall be Franchisee's employees and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties shall file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

18. TERMINATION

A. Default and Termination. Franchisee acknowledges that each of Franchisee's obligations described in this Agreement is a material and essential obligation; that nonperformance of such obligations will adversely and substantially affect the Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

B. Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition (or have an involuntary petition filed against Franchisee) under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for 30 calendar days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within thirty (30) calendar days; or if the real or personal property of Franchisee's Restaurant shall be sold after levy thereupon by any sheriff, marshal or constable or is otherwise sold by means of a foreclosure sale or a public or private auction or sale conducted in accordance with applicable law.

C. Termination on Notice by Franchisor; No Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(1) Except for authorized catering activities and any relocation approved by Franchisor, if Franchisee operates the Restaurant or sells any products or services authorized by Franchisor at a location other than the Location;

(2) If Franchisee fails to obtain Franchisor's approval of a proposed site or fails to acquire a Location for the Restaurant within the time and manner specified in Section 3.;

(3) If Franchisee fails to construct or remodel the Restaurant in accordance with Section 3.;

(4) If Franchisee fails to open the Restaurant for business within the period specified in Section 3.F. , or fails to reopen the Restaurant in accordance with Section 13.B.(1);

(5) If Franchisee at any time ceases to operate or otherwise abandons the Restaurant, or loses the right to occupy the Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, that this provision shall not apply upon the occurrence of an event of a Force Majeure, if Franchisee applies within 30 calendar days after such event for Franchisor's approval to relocate or reconstruct the Restaurant and Franchisee diligently pursues such reconstruction or relocation. Franchisor's approval will not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Restaurant is not in operation;

(6) If a threat or danger to public health or safety results from the construction or operation of the Restaurant;

(7) If Franchisee or any of the Principals is convicted of, or has entered a plea of guilty or nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

(8) If Franchisee or any of the Principals transfers or attempts to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Restaurant contrary to the terms of this Agreement, or if a transfer upon death or permanent disability is not made in accordance with Section 15.;

(9) If, contrary to the terms of Section 11.B., Franchisee or any of the Principals discloses or divulges any Confidential Information;

(10) If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor;

(11) If Franchisee breaches in any material respect any of the covenants, or has falsely made any of the representations or warranties, set forth in Section 7., or if Franchisee makes any material misstatement or omission in an application for this franchise or in any other information provided to Franchisor;

(12) If Franchisee fails to comply with Franchisor's quality assurance program (including any applicable cure periods provided under such program);

(13) If Franchisee or any Principals repeatedly commits an event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor;

(14) If Franchisee or any affiliate of Franchisee is in default of any other franchise agreement with Franchisor and fails to cure such default within the applicable cure period, if any; or

(15) If Franchisee's assets, property or interests are "blocked" under any law, ordinance or regulation relating to terrorist activities or if Franchisee is otherwise in violation of any such law, ordinance or regulation.

D. Termination on Notice by Franchisor; Opportunity to Cure. Except as provided in Sections 18.B. and 18.C. of this Agreement, upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default and the time period within which the default must be cured. Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the time period set forth below or any longer period that applicable law may require ("**cure period**"). If any such default is not cured within the cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If Franchisee fails to procure and maintain the insurance policies required by Section 13. and fails to cure such default within seven calendar days following notice from Franchisor;

(2) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein and fails to cure such default within 24 hours following notice from Franchisor;

(3) If Franchisee fails to obtain the execution of the confidentiality and related covenants as required under Sections 11.B. or 11.C. of this Agreement within 10 days after being requested to do so by Franchisor and fails to cure such default within 30 calendar days following notice from Franchisor;

(4) If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owed to Franchisor or any of its affiliates, when due under this Agreement or any other agreement, or fails to submit the financial or other information required by Franchisor under this Agreement, and does not cure such default within five calendar days following notice from Franchisor;

(5) If Franchisee or any of the Principals fails to comply with the restrictions against competition set forth in Section 11.C. of this Agreement and fails to cure such default within 10 calendar days following notice from Franchisor;

(6) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing, and fails to cure such default within 30 calendar days following notice from Franchisor;

(7) If Franchisee fails to comply with any other requirement imposed by this Agreement, or fails to carry out the terms of this Agreement in good faith and fails to cure such default within 30 calendar days following notice from Franchisor;

(8) If Franchisee fails to designate a qualified replacement Operating Principal or Restaurant Manager within 30 calendar days after any initial or successor Operating Principal or Restaurant Manager ceases to serve;

(9) If Franchisee fails to secure the required liquor license(s) by the date the Restaurant is otherwise ready (and/or required) to open for business and fails to cure such default within 10) days following notice from Franchisor; or

(10) If Franchisee's failure to comply with applicable laws or regulations relating to the sale of alcoholic beverages at the Restaurant results in the sale and consumption of alcoholic beverages at the Restaurant being suspended or prohibited for more than thirty (30) consecutive days and Franchisee fails to cure such default within 10 days following notice from Franchisor.

19. POST-TERMINATION

A. Franchisee's Obligations Upon Termination. Upon the termination or expiration of this Agreement for any reason, all rights granted to Franchisee shall terminate, and Franchisee shall:

(1) Immediately cease to operate the Restaurant under this Agreement and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

(2) Immediately and permanently cease to use, in any manner whatsoever, the Marks and any Confidential Information associated with the System. Without limitation of the foregoing, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name, fictitious name, or equivalent registration which contains the mark "HNJ Restaurant" or any other Mark, and furnish Franchisor with satisfactory evidence of compliance within five calendar days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy or colorable imitation of the Marks which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Marks, nor shall Franchisee use any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

(5) Promptly pay all sums owing to Franchisor and its affiliates, and all damages, costs, and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor as a result of any default by Franchisee or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Section 19., which obligation shall give rise to and remain a lien in favor of Franchisor against any and all assets of Franchisee, until such obligations are paid in full.

(6) Promptly deliver to Franchisor all Manuals, Software Programs, Confidential Information, and other materials related to the operation of the Restaurant in Franchisee's possession or control, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Section 11. of this Agreement and cause any other person required to execute similar covenants pursuant to Section 11. also to comply with such covenants.

(8) Promptly furnish to Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Restaurant or at any other location under Franchisee's control. Franchisor shall have the right to inspect these materials and the option, exercisable within 30 calendar days after such inspection, to purchase any or all of the materials at Franchisee's cost. Materials Franchisor does not purchase cannot be used by Franchisee or any other person for any purpose unless authorized in writing by Franchisor.

(9) At Franchisor's option, assign to Franchisor all rights to the telephone numbers of the Restaurant and any related Internet listings or other business listings and execute all forms and documents required by Franchisor to transfer such service and numbers to Franchisor. Franchisee will use different telephone numbers at or in connection with any subsequent business conducted by Franchisee.

(10) If Franchisor does not elect to exercise its option to acquire the lease or sublease for the Location (as described below), Franchisee will make such modifications or alterations to the premises as are necessary to distinguish the appearance of the Restaurant from that of other HNJ Restaurants, and, if Franchisee fails or refuses to do so, Franchisor shall have the right to enter upon the premises, without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at Franchisee's expense.

B. Franchisor's Post-Term Purchase Options. Upon the termination of the Agreement, Franchisor shall have the following options:

(1) The option, exercisable by giving written notice to Franchisee within 60 calendar days from the date of such termination or expiration, as applicable, to acquire the Location and the assets of the

Restaurant from Franchisee (subject to any rights of approval retained by the owner of the leasehold). Franchisor may determine in its sole discretion which assets it wishes to purchase on a case-by-case basis. Franchisee acknowledges and agrees that regardless of whether Franchisor elects to assume Franchisee's interests in a lease or sublease pursuant to Section 19.B.(2), Franchisor shall have no obligation to pay Franchisee any amount for leasehold improvements made by Franchisee to the premises of the Restaurant. The date on which Franchisor notifies Franchisee whether or not Franchisor is exercising its option is referred to as the "**Notification Date**." Franchisor will have the unrestricted right to assign this option and Franchisor or its assignee will be entitled to all customary warranties and representations in connection with the asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release. In connection with Franchisor's exercise of any option, Franchisee agrees that Franchisor will have no obligation to reimburse or otherwise compensate Franchisee for any leasehold improvement costs or expenses or other costs or expenses Franchisee incurred in connection with the premises of the Restaurant and no obligation to reimburse or otherwise compensate Franchisee for any goodwill, business start-up costs, or other losses during start-up.

(2) The option, separate and apart from Franchisor's option in Section 19.B.(1), exercisable at the time and in the manner set forth in subsection (1) above, to assume Franchisee's leasehold interest in the Location or, if Franchisee owns the Location, to enter into a lease agreement with Franchisee. If Franchisor exercises its option, Franchisee will assign Franchisee's leasehold interest to Franchisor; or if Franchisee owns the Location, to lease the Location to Franchisor at a reasonable commercial rent and upon terms comparable to rental terms for similar leased property in the marketplace where the Restaurant is located. Franchisee acknowledges and agrees that Franchisor shall have no obligation under any circumstances to reimburse or otherwise compensate Franchisee in connection with any such lease assignment, including, without limitation, no obligation to reimburse or otherwise compensate Franchisee for any leasehold improvement costs or expenses or other costs or expenses incurred by Franchisee in connection with the premises of the Restaurant.

(3) If Franchisor exercises its option under subsection (1) to purchase the assets of the Restaurant from Franchisee, the purchase price for the assets will be their fair market value, determined in a manner consistent with reasonable depreciation of the Restaurant's leasehold improvements, equipment, fixtures, furnishings, signs, materials, and supplies. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Restaurant will also be considered in determining the fair market value. Franchisor may exclude from the assets Franchisor elects to purchase cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials, and supplies that are not necessary or appropriate (in function or quality) to the Restaurant's operation or that Franchisor has not approved as meeting the standards for HNJ Restaurants, and the purchase price will reflect such exclusions.

(4) If Franchisor and Franchisee are unable to agree on the fair market value of the Restaurant's assets, such fair market value will be determined by three independent appraisers who collectively will conduct one appraisal. Franchisor will appoint one appraiser, Franchisee will appoint one appraiser, and those appraisers will appoint the third appraiser. Franchisee and Franchisor will select the respective appraisers within 15 calendar days after the Notification Date, and Franchisor and Franchisee will both instruct the two appraisers so chosen to appoint the third appraiser within 15 calendar days after the date on which the last of the appointed appraisers is appointed. Franchisee and Franchisor will each bear the cost of their own appraiser and share equally the fees and expenses of the third appraiser. Franchisor and Franchisee agree that they will instruct the three appraisers to complete their appraisal within 30 calendar days after the third appraiser's appointment.

(5) The purchase price will be paid at the closing of the purchase, which will take place not later than 90 calendar days after the determination of the purchase price. Franchisor will have the right to set off against the purchase price and thereby reduce the purchase price by any and all amounts

Franchisee or Franchisee's Principals owe to Franchisor. At the closing, Franchisee will deliver instruments transferring to Franchisor: **(i)** good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by Franchisee; **(ii)** all licenses and permits of the Restaurant which may be assigned or transferred; and **(iii)** a leasehold interest in (or unencumbered title to) the Location and improvements. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. As a condition of Franchisor's purchase of the Restaurant, Franchisee and Franchisee's Principals further agree to execute general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and its subsidiaries, shareholders, officers, directors, employees, agents, successors, and assigns.

(6) If Franchisor exercises its option to acquire leasehold rights in the premises of the Restaurant, Franchisee hereby authorizes Franchisor to operate the Restaurant from the date Franchisor exercises its option until closing, and will hold Franchisor and Franchisor's representatives harmless for all acts or omissions occurring during the course of such temporary operation. Franchisor will keep all monies generated from the operation of the Restaurant during such period, less the expenses of operation (including, reasonable compensation for Franchisor's representatives operating the Restaurant and any related attorneys' fees and costs), in a separate account for Franchisee's benefit. Franchisor will not assume any of Franchisee's liabilities by exercising Franchisor's rights to temporarily operate the Restaurant.

C. <u>Assignment of Franchisor Rights</u>. Franchisor is entitled to assign any and all of its options in this <u>Section 19.</u> to any other party, without the consent of Franchisee.

20. <u>MISCELLANEOUS</u>

A. <u>Notices</u>. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	HNJ Franchise Inc. 4825 Magna Carta Boulevard Grand Prairie, Texas 75052 Attention: Tim Nguyen Facsimile:______________________
Notices to Franchisee and the Principals:	______________________ ______________________ ______________________ ______________________ Attention:______________________ Facsimile:______________________

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

B. <u>No Waiver</u>. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Principals, or as to a subsequent breach or default by Franchisee or the Principals.

C. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to Franchisee, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.

D. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section 18.C.(5), Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Section 16. Except as provided in Section 18.C.(5) and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

E. Severability. Except as expressly provided to the contrary in this Agreement, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

F. Mediation. Franchisor and franchisee acknowledge that during the Term of this Agreement certain disputes may arise that Franchisor and Franchisee are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor and Franchisee will submit any claim, controversy, or dispute between Franchisor or any of Franchisor's affiliates (and their respective owners, officers, directors, agents, representatives, and/or employees) and Franchisee (and franchisee's owners, agents, representatives, and/or employees) arising out of or related to **(a)** this Agreement or any other agreement between Franchisor and Franchisee, **(b)** Franchisor's relationship with Franchisee, or (c) the validity of this Agreement or any other Agreement between Franchisor and Franchisee, to mediation before bringing such claim, controversy, or dispute in a court or before any other tribunal.

(1) The mediation shall be conducted by a mediator agreed upon by Franchisor and Franchisee and, failing such agreement within not more than 15 calendar days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("**AAA**") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA nearest to Grand Prairie, Texas. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

(2) If the parties are unable to resolve the claim, controversy, or dispute within 60 calendar days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding pursuant to Section 20.G. Franchisor and

Franchisee agree that statements made by either Franchisor or Franchisee in any such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

(3) Notwithstanding the foregoing provisions of this Section 20.F., the parties' agreement to mediate shall not apply to controversies, disputes, or claims related to or based on monies owed to Franchisor, the Marks, or the Confidential Information. Moreover, regardless of the parties' agreement to mediate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief.

G. Litigation. With respect to any controversies, disputes, or claims which are not finally resolved through mediation as provided in Section 20.F. above, the parties irrevocably submit themselves to the jurisdiction of the state courts of Tarrant County, Texas and the federal district court for the Northern District of Texas and hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisor and Franchisee agree that service of process may be made upon them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Texas or federal law. Franchisor and Franchisee further agree that venue for any proceeding relating to or arising out of this agreement shall be Tarrant county, Texas.

H. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between Franchisor and Franchisee will be governed by and interpreted and construed under Texas law, without reference to Texas conflict of law principles.

I. Parties' Acknowledgments. Franchisor and Franchisee acknowledge that the agreements regarding applicable state law and forum set forth above provide Franchisor and Franchisee with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the relationship created by this Agreement. Franchisor and Franchisee further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

J. WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 16. AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR, FRANCHISEE, AND FRANCHISEE'S PRINCIPALS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

K. LIMITATIONS OF CLAIM. EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S UNDERPAYMENT OF AMOUNTS OWED TO FRANCHISOR PURSUANT TO THIS AGREEMENT AND CLAIMS FRANCHISOR BRINGS WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR PURSUANT TO SECTION 16., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN TWO YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR TWO YEARS FROM THE DATE ON WHICH FRANCHISOR OR FRANCHISEE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

L. JURY WAIVER. FRANCHISOR AND FRANCHISEE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING

OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN FRANCHISOR AND FRANCHISEE OR FRANCHISOR'S AND FRANCHISEE'S RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

M. Costs and Attorneys' Fees. If Franchisor incurs expenses in connection with Franchisee's failure to pay when due amounts owed to Franchisor, or to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, Franchisee will reimburse Franchisor for any of the costs and expenses which Franchisor incurs, including, without limitation, accounting, attorneys', arbitrators', and related fees.

N. Binding Effect. This Agreement is binding upon Franchisor and Franchisee and their respective executors, administrators, heirs, beneficiaries, assigns, and successors in interest.

O. Modification of Agreement. Except for those changes permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either Franchisor or Franchisee unless mutually agreed to and executed by Franchisor's and Franchisee's authorized officers or agents in writing.

P. Consents and Approvals. Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold Franchisor's approval of any of Franchisee's actions or requests, Franchisor has the absolute right to refuse any request Franchisee makes or to withhold Franchisor's approval of any of Franchisee's proposed or effected actions that require Franchisor's approval.

Q. Owners. If Franchisee is two or more individuals, then the rights and obligations of Franchisee under this Agreement may only be exercised jointly, but Franchisee's liabilities under this Agreement will be joint and several as to all individuals and entities.

R. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

S. Headings. The captions used in connection with the articles, sections, and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify, or in any other manner affect the scope, meaning, or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

T. Survival. Any obligation of Franchisee or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Principals therein shall be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections 20.F., G., and H. are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

U. Gender. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable.

V. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure or default of any term, provision, or condition of this Agreement or any other agreement between Franchisee or any of its affiliates, and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section 18. of this Agreement shall not discharge or release Franchisee or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement.

W. No Third-Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 15.) any rights or remedies under or as a result of this Agreement.

X. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

Y. Agreement Effective Upon Execution by Franchisor. This Agreement shall not become effective until signed by an authorized representative of Franchisor.

21. FRANCHISEE'S ACKNOWLEDGMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Consultation with Advisors. Franchisee acknowledges that Franchisee has received, read, and understands this Agreement and the related Exhibits and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. System Change. Franchisee understands and agrees that Franchisor may operate and change the System and Franchisor's business in any manner that is not expressly and specifically prohibited by this Agreement.

D. FTC Rule Compliance. Franchisee acknowledges that it received a complete copy of Franchisor's disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law.

E. Exercise of Discretion. Whenever Franchisor 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, then except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its right and/or discretion on the basis of its judgment of what is in its best interests, including, without limitation, its judgment of what is in the best interests of the franchise network, at the time its decision is made or its right or discretion is exercised, without regard to whether: **(i)** other reasonable alternative decisions or actions could have been made by Franchisor; **(ii)** Franchisor's decision or the action it takes promotes its financial or other individual interest; **(iii)** Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's affiliate-owned operations; or **(iv)** Franchisor's decision or the exercise of Franchisor's right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor'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 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 the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

F. No Reliance. Franchisee is relying solely on HNJ Franchise Inc., and not on any affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

G. Entire Agreement. This Agreement, the documents referred to herein, and the Exhibits hereto, constitute the entire, full, and complete agreement between Franchisor and Franchisee and the Principals concerning the subject matter hereof and shall supersede all prior related agreements; provided, however, that nothing in this or any related agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent franchise disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative, subject to any agreed-upon changes to the contract terms and conditions described in that franchise disclosure document and reflected in this Agreement (including any riders or addenda signed at the time as this Agreement). Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:
HNJ Franchise Inc.
a Texas corporation

By:____
[Name, Title]

Date:______________________________________

FRANCHISEE:

____

By:____
[Name, Title]

Date:______________________________________

EXHIBIT A
PRINCIPALS' GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement ("**Guaranty**") is entered into by the undersigned in connection with the Franchise Agreement ("**Agreement**") dated _______________, 20__ between HNJ Franchise Inc. ("**Franchisor**") and _______________ ("**Franchisee**").

In consideration of, and as an inducement to, the execution of the Agreement by Franchisor, each of the undersigned, and any other parties who sign counterparts of this Guaranty (each and collectively, "**Guarantor**"), hereby personally and unconditionally guarantee to Franchisor and its successors and assigns that Franchisee will punctually perform its obligations and pay all amounts due under the Agreement, including, without limitation, amounts due for initial franchise fees, royalties, advertising fund contributions, and purchases of equipment, materials, and supplies.

Each Guarantor waives:

(i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and

(ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and

(iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and

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

(v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty (including by way of counterparts); and

(vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

(i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among each Guarantor; and

(ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and

(iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and

(iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Agreement; and

(v) Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantor.

Each Guarantor also makes all of the covenants, representations, warranties, and agreements of the Principals set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections 7., 11., 15., 16., 19., and 20.F. through M. (which include, among other things, the mediation of disputes and waivers of jury trial rights and punitive damages).

If Franchisor is required to enforce this Guaranty in an administrative, judicial, or arbitration proceeding, and prevail in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators', and expert witness fees, costs of investigation, and proof of facts, court costs, other expenses of an administrative, judicial, or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, each Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed its signature on the dates set forth below.

GUARANTOR:

____
[Name], signed as an Individual

Date: ______________________________

____
[Name], signed as an Individual

Date: ______________________________

____
[Name], signed as an Individual

Date: ______________________________

____
[Name], signed as an Individual

Date: ______________________________

EXHIBIT B
CONFIDENTIALITY AGREEMENT AND ANCILLARY
COVENANTS NOT TO COMPETE

This Confidentiality Agreement and Ancillary Covenants Not to Compete ("**Agreement**") is made and entered into by and between HNJ Franchise Inc., a Texas corporation ("**Franchisor**"), ___________________ ("**Franchisee**"), and ___________________ ("**Covenantor**") in connection with a Franchise Agreement between Franchisor and Franchisee dated ___________________, 20__ ("**Franchise Agreement**"). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

RECITALS

A. Franchisor has the right to use and license the use of a System for the establishment and operation of HNJ Restaurants.

B. The System is identified by certain Marks including, the mark "HNJ Restaurant," and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

C. Franchisor has granted Franchisee the right to operate an HNJ Restaurant pursuant to the Franchise Agreement.

D. Covenantor is employed by or associated with Franchisee and it will be necessary for Covenantor to have access to some or all of the Confidential Information.

E. Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

F. Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

AGREEMENT

Confidentiality Agreement

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of an HNJ Restaurant under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to Franchisee's other employees and only to the limited extent necessary to train or assist other employees in the operation of the Restaurant.

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that all Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may be reproduced, in whole or in part, without Franchisor's written consent.

[**Covenants Not to Compete**[1]

In order to protect the goodwill of associated with the Marks and the System, and in consideration for the disclosure of the Confidential Information, Covenantor agrees that, during the term of his or her association with or employment by Franchisee, and for a period of two years following the earlier of **(i)** the termination thereof, or **(ii)** the termination, expiration, or transfer of Franchisee's interest in the Franchise Agreement, Covenantor will not, without Franchisor's prior written consent or as permitted under valid Franchise Agreements for HNJ Restaurants:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of the Restaurant to any competitor; and

b. Directly or indirectly, for himself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association, or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any Competitive Business which is, or is intended to be, located **(i)** at the Location, **(ii)** within the Protected Area, **(iii)** within a 10-mile radius of the Location, or **(iv)** within a10-mile radius of any HNJ then in existence or under development. A "**Competitive Business**" is any business which prepares, offers or sells as a primary menu item, or mix of menu items, seafood, including crawfish, or related menu items, products, or services now or in the future offered to consumers for dine-in or take-out consumption and sold by HNJ Restaurants. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, or the like for Competitive Businesses. Restrictions contained in this Agreement on competitive activities do not apply to: **(a)** the ownership, operation, or franchising of HNJ Restaurants by or pursuant to agreements with, or authorizations from Franchisor or its affiliates; or **(b)** the ownership of shares of a class of securities that are listed on the U.S. stock exchange or traded on the over-the-counter market and that represent less than 10% of that class of securities.]

[Principal's Undertaking

Covenantor also makes all of the covenants, representations, warranties and agreements of the Principals set forth in Sections 11.B., C., D. and E., 15, and 20.F., G., H., I., J., K., and L. of the Franchise Agreement (which include, among other things, the mediation of disputes and waivers of jury trial rights and punitive damages) and is obligated to perform thereunder.]

Miscellaneous

1. Covenantor agrees that:

a. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill of the System or Franchisor's other business interests.

[1] If Covenantor is a Principal not signing the Principals' Guaranty and Assumption Agreement, delete the Covenants Not to Compete section and replace it with the Principal's Undertaking section. If Covenantor is not a Principal, delete the Principal's Undertaking section.

b. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

c. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor shall be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

2. Covenantor will pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor and Franchisee in enforcing this Agreement.

3. Any failure by Franchisor or Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

4. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

5. THE PARTIES TO THIS AGREEMENT HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THE FRANCHISE AGREEMENT OR THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at

the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

HNJ Franchise Inc.
4825 Magna Carta Boulevard
Grand Prairie, Texas 75052
Attention: Tim Nguyen

If directed to Franchisee, the notice shall be addressed to:

____
____
____
Attention:________________________

If directed to Covenantor, the notice shall be addressed to:

____
____
____
Attention:________________________

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of or registered or certified mail, three Business Days after the date and time of mailing, or, in the case electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

8. Franchisor and its successors and assigns shall be third party beneficiaries of this Agreement, with the full and independent right, at their option and in their sole discretion, to enforce this Agreement.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall insure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:
HNJ Franchise Inc.
a Texas corporation

By: ______________________________________
[Name, Title]

Date:______________________________________

FRANCHISEE:

By: ______________________________________
[Name, Title]

Date: ______________________________________

COVENANTOR:

____
Signed as an Individual

Name: ______________________________________
Date: ______________________________________

EXHIBIT C

SELECTED TERMS:
LOCATION, DESIGNATED AREA, PROTECTED AREA,
AND OPENING DATE

1. LOCATION: The Restaurant will be located at the following address: to be determined within the Designated Area

2. DESIGNATED AREA: The Designated Area is: ______________________________.

3. PROTECTED AREA: The Protected Area will be at least a 0.1 mile radius around the Location and will be defined at the time Franchisor approves the Location.

4. OPENING DATE: The Opening Date of the Restaurant is to be determined.

FRANCHISOR:	**FRANCHISEE:**
HNJ Franchise Inc.	
a Texas corporation	
By: ____________________________________	By: ____________________________________
[Name, Title]	[Name, Title]
Date:___________________________________	Date: ___________________________________

EXHIBIT D

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS

A. The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name	% Ownership in Franchisee	Nature of Interest

B. The following is a list of all of Franchisee's Principals, as defined in and designated pursuant to Section 1.K. of the Franchise Agreement, each of whom shall (unless executing the Principals' Guaranty and Assumption Agreement) execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Exhibit B to the Franchise Agreement:

____

____

____

____

EXHIBIT E

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

HNJ Franchise Inc.

BANK NAME	ACCOUNT #	ABA#	FEIN
____________________________	______________	______________	______________

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) calendar days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: ____

Name of Depositor: ____

Designated Bank Acct.: ____

(Please attach one voided check for the above account.)

Restaurant Location: ____

Restaurant #:____

For information call: ____

Address: ____

Phone #: ____

Fax #: ____

____
Name of Franchisee/Depositor (please print)

By: ____
Signature and Title of Authorized Representative

Date: ____

EXHIBIT F

LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of HNJ Franchise Inc., a Texas corporation ("**Franchisor**"), and that the restaurant located at the Premises ("**Unit**") is operated under the HNJ Restaurant franchise system, pursuant to a franchise agreement ("**Franchise Agreement**") between Tenant and Franchisor. Landlord consents to Tenant's use at the Premises of such marks and signs, decor items, color schemes, and related components of the HNJ Restaurant franchise system as Franchisor may prescribe for the Unit. During the Term of the Franchise Agreement, the Premises may be used only for the operation of the Unit.

(b) Landlord will furnish to Franchisor copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure ("**Franchisor Notice**"). Following Franchisor's receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant's default before Landlord shall exercise any of Landlord's remedies arising as a consequence of Tenant's default. Any such cure shall be effected within 15 days following Franchisor's receipt of the Franchisor Notice. Such cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If Franchisor cures Tenant's default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord's receipt of Franchisor's notice thereof), Landlord agrees, upon Franchisor's written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with Franchisor in order to pursue such action to a conclusion.

(d) If Franchisor cures Tenant's default or notifies Landlord of the termination of the Franchise Agreement, Franchisor shall have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six months from the first date of any cure by Franchisor; or

2. At any time within or at the conclusion of such six-month period, assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(e) If, during the six-month period set forth in <u>section (d)(1)</u> above or at any time after the assignment contemplated in <u>section (d)(2)</u>, Franchisor shall notify Landlord that the franchise for the Unit is being granted to another HNJ Restaurant franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord's reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(g) Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the HNJ Restaurant system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum.

(h) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be HNJ Franchise Inc., [4825 Magna Carta Boulevard, Grand Prairie, Texas 75052, Attention: Tim Nguyen, which address may be changed by written notice to Landlord in the manner provided in the Lease.

STATE-SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

AMENDMENT TO HNJ FRANCHISE INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The HNJ Franchise Inc. Franchise Agreement between _________________ ("**Franchisee**") and HNJ Franchise Inc. ("**Franchisor**"), dated ____________, 20__ ("**Agreemen**t") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement ("**Amendment**"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

   a. 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 Agreement contains a provision that is inconsistent with the law, the law will control.

   b. The 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.).

   c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

   d. The Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

2. Each provision of this Amendment is effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties hereto have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

HNJ Franchise Inc.
a Texas corporation

By: ____
Name:_______________________________________
Title:_______________________________________

FRANCHISEE:

____

By: ____
Name:_______________________________________
Title:_______________________________________

AMENDMENT TO HNJ FRANCHISE INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The HNJ Franchise Inc. Franchise Agreement between _________________ ("**Franchisee**") and HNJ Franchise Inc. ("**Franchisor**"), dated ____________, 20__ ("**Agreement**") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement ("**Amendment"**):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq.* ("**Act**"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

   a. If the Agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Illinois Franchise Disclosure Act), Illinois law will govern.

   b. Payment of the Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

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

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

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

2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Illinois law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties hereto have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

HNJ Franchise Inc.
a Texas corporation

By: ______________________________
Name:____________________________
Title:_____________________________

FRANCHISEE:

____

By: ______________________________
Name:____________________________
Title:_____________________________

AMENDMENT TO HNJ FRANCHISE INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

The HNJ Franchise Inc. Franchise Agreement between _________________ ("**Franchisee**") and HNJ Franchise Inc. ("**Franchisor**"), dated ____________, 20__ ("**Agreement**") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement ("**Amendment**"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. ANN. CODE, BUS. REG,. §§ 14-201 *et seq.* (2015 Repl. Vol.) ("**Law**"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

   b. Any acknowledgments or representations of the Franchisee made in the agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Law.

   c. A Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

   d. The limitation on the period of time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within 3 years after the grant of the franchise.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties hereto have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

HNJ Franchise Inc.
a Texas corporation

By: ____
Name:______________________________________
Title:_______________________________________

FRANCHISEE:

____

By: ____
Name:______________________________________
Title:_______________________________________

AMENDMENT TO HNJ FRANCHISE INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

The HNJ Franchise Inc. Franchise Agreement between _________________ ("**Franchisee**") and HNJ Franchise Inc. ("**Franchisor**"), dated ____________, 20__ ("**Agreement**") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement ("**Amendment**"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 et seq., and the Rules and Regulations promulgated under the Act (collectively "**Franchise Act**"). To the extent that the Agreement/and or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat § 80C.17, Subd. 5. may not be enforceable under Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement/and or Franchise Disclosure Document is hereby amended to delete all references to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse the franchisee from liability for actual or other damages and the formula for Liquidated Damages in the Agreement/and or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement/and or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement/and or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain.

6. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Franchise Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties hereto have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

HNJ Franchise Inc.
a Texas corporation

By: ______________________________
Name:______________________________
Title:______________________________

FRANCHISEE:

____

By: ______________________________
Name:______________________________
Title:______________________________

AMENDMENT TO HNJ FRANCHISE INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

The HNJ Franchise Inc. Franchise Agreement between _________________ ("**Franchisee**") and HNJ Franchise Inc. ("**Franchisor**"), dated ____________, 20__ ("**Agreemen**t") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement ("**Amendment**"):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 ("**Law**"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

   a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

   b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties hereto have duly executed and delivered this Amendment to the Agreement on the dates set forth below.

FRANCHISOR:

HNJ Franchise Inc.
a Texas corporation

By: ____
Name:______________________________________
Title:_______________________________________

FRANCHISEE:

____

By: ____
Name:______________________________________
Title:_______________________________________

EXHIBIT C

LIST OF FRANCHISED OUTLETS
AS OF DECEMBER 31, 2018

LIST OF FRANCHISED OUTLETS
AS OF DECEMBER 31, 2018

None.

EXHIBIT D

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN THE LAST FISCAL YEAR

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
IN THE LAST FISCAL YEAR**

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

None.

EXHIBIT E

MANUAL TABLE OF CONTENTS

Hot N Juicy Crawfish Franchise Operations Manual

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EXHIBIT F

FORM OF GENERAL RELEASE

FORM OF GENERAL RELEASE

1. **Release of Claims**. Franchisee and its Principals and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the "Franchisee Related Parties") irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively "Releasees"), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent ("Claim" or "Claims"), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

2. **Unknown Claims**.

(a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

(b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.

3. **Covenant Not to Sue**. Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims**. Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

5. **Full and Independent Knowledge**. Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and

understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.

6. **Compromise**. Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.

7. **General Provisions**.

(a) Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.

(b) Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

(c) Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

(d) Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

(e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

(f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

(g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR: HNJ Franchise Inc. a Texas corporation	**FRANCHISEE:** __________________________________
By: _______________________________ Name: ____________________________ Title: _____________________________ Date: _____________________________	By: _______________________________ Name: ____________________________ Title: _____________________________ Date: _____________________________

[Add signature blocks for any additional parties identified pursuant to Section 1.]

EXHIBIT G

STATE-SPECIFIC ADDENDA

ADDENDUM TO HNJ FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
<u>FOR THE STATE OF CALIFORNIA</u>

The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 <u>et</u> <u>seq</u>., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 <u>et</u> <u>seq</u>. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. <u>Item 3</u> of the Disclosure Document is supplemented by the following language:

   Neither we nor any person or identified 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 such persons from membership in such association or exchange.

2. <u>Item 17</u> of the Franchise Disclosure Document is supplemented by the following language:

   a. 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.

   b. 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.).

   c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

   d. The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

3. 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.

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

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

6. Corporations Code 31512 provides that: “Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

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.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met

ADDENDUM TO HNJ FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

1. If the franchise agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Act), Illinois law will govern.

2. Payment of the Initial Franchise Fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition

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

4. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure act.

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

Each provision of this addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this addendum. This addendum shall have no force or effect if such jurisdictional requirements are not met.

ADDENDUM TO HNJ FRANCHISE INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. Item 17.h. of this disclosure document is amended to include the following sentence:

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

2. Items 17.c. and 17.m. are revised to provide that we cannot, as a condition to renewal or consent to assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.

3. Item 17.v. is revised to provide you may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

ADDENDUM TO HNJ FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

1. Item 6 is supplemented by the following:

   Service charges are governed by Minnesota Statute 604.113, which puts a cap of $30 on service charges.

2. The following is added to Item 13 of the disclosure document:

   We will protect your right to use the trademarks, service marks, trade names, logos, or other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the marks to the extent required by Minnesota law.

3. The following is added to Item 17 of the disclosure document:

   Under Minnesota law, and except in certain specified cases, we must give you 90 days notice of termination with 60 days to cure and 180 days for notice for non-renewal of the Franchise Agreement. To the extent that the Franchise Agreement or Development Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

4. The following is added to Item 17 of the disclosure document:

   Minnesota law prohibits us from requiring you to consent to a general release.

5. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional

ADDENDUM TO HNJ FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

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

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

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

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

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

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

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

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

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

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

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

To the extent required by the New York General Business Law, you may terminate the agreement on any grounds available by law

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who, in the judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the laws described above, with respect to each provision of the law, are met independent of this addendum. This addendum will have no force or effect if such jurisdictional requirements are not met.

New York Insert

This disclosure document is amended by the addition of the following sentence:

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ADDENDUM TO HNJ FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

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

ATTACHMENT A

LIST OF STATE ADMINISTRATORS

LIST OF ADMINISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
866-275-2677

CONNECTICUT

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
860-240-8230

FLORIDA

Department of Agriculture and Consumer Services
Mayo Building, 2nd Floor
Tallahassee, Florida 32399

HAWAII

Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Securities Commissioner
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Franchising Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa
Lansing, Michigan 48933

MINNESOTA

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEBRASKA

Nebraska Department of Banking and Finance
Commerce Court
1526, Suite 300
Lincoln, Nebraska 68508

NEW YORK

Assistant Attorney General
New York Department of Law
Investment Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005

NORTH DAKOTA

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Franchise Administrator
Department of Labor and Regulation
Division of Insurance
Securities Regulations
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH

Director
Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84111

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Franchise Administrator
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

ATTACHMENT B

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA

Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

CONNECTICUT

Banking Commissioner of State of
Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933

MINNESOTA

Commissioner of Commerce
85 7th Place East
Suite 280
Saint Paul, Minnesota 55101

NEW YORK

Secretary of State
99 Washington Avenue
Albany, New York 12231

NORTH CAROLINA

Secretary of State of North Carolina
300 North Salisbury Street
Raleigh, North Carolina 27603

NORTH DAKOTA

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - 5th Floor
Bismarck, North Dakota 58505-0510

OREGON

Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

RHODE ISLAND

Director
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director
Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA

Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities
Wisconsin Securities Commission
345 West Washington Avenue
Madison, Wisconsin 53703

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If HNJ Franchise Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If HNJ Franchise Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Attachment A to this disclosure document).

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Luyen (Laina) Vo	4825 Magna Carta Boulevard Grand Prairie, Texas 75052	214-673-4907

Issuance Date: April 24, 2019

I received a disclosure document dated April 24, 2019. The disclosure document included the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement, including attachments
Exhibit C	List of Franchised Outlets
Exhibit D	Franchisees Who Have Left the System
Exhibit E	Operations Manual Table of Contents
Exhibit F	Form of General Release
Attachment A	List of State Administrators
Attachment B	Agents for Service of Process

Dated:______________

____
Individually and as an Officer

____
Printed Name

of____

(a______________________________________Corporation)

(a______________________________________Partnership)

(a______________________________________Limited Liability Company)

[Keep this page for your records.]

ITEM 23
RECEIPT

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If HNJ Franchise Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If HNJ Franchise Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Attachment A to this disclosure document).

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Attachment B	Agents for Service of Process

Dated:______________

____
Individually and as an Officer

____
Printed Name

of____

(a____Corporation)

(a____Partnership)

(a____Limited Liability Company)

[Sign and return this page to us.]