



HUHOT
MONGOLIAN GRILL®



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Business Oversight

(Multistate)

FRANCHISE DISCLOSURE DOCUMENT

HUHOT MONGOLIAN GRILLS, L.L.C

A Montana limited liability company

223 East Main Street

Missoula, Montana 59802

(406) 251-4303

Website: www.huhot.com

Email: customer_service@huhot.com

The franchisee will engage in the business of owning and operating a sit-down restaurant specializing in Asian-style food cooked on a grill with an upscale but casual ambiance.

The total initial investment for your Traditional Unit HuHot Restaurant ranges from \$782,984,000 to \$982,121,900, including \$40,000 you must pay the franchisor. The total initial investment for your Express Unit HuHot Restaurant ranges from \$487,000 to \$632,000, including \$40,000 you must pay the franchisor. The total initial investment for an Area Development Agreement is \$1,574,000 to \$1,934,000 for 2 restaurants, and \$3,935,000 to \$4,885,000 for 5 restaurants, including \$100,000 to \$250,000 you must pay the franchisor (plus the initial investment for each Restaurant you open).

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a

binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability in different formats, contact Laura Sporrer at 223 East Main Street, Missoula, Montana 59802, phone 406-251-4303, or email at laura.sporrer@huhot.com.

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 ("FTC"). You can contact the FTC at 1-888-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.

The Issuance Date of this Franchise Disclosure Document is ~~March 22, 2016~~ April 3, 2017.

STATE COVER PAGE

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

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

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

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

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR ARBITRATION ONLY IN MISSOULA, MONTANA. OUT OF STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE OR ARBITRATE WITH US IN MISSOULA, MONTANA THAN IN YOUR HOME STATE.

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

THERE MAY BE A RISK DUE TO THE FACT THAT THE TRADEMARK "NUHU MONGOLIAN EXPRESS" TO BE USED BY ITS EXPRESS RESTAURANTS DOES NOT HAVE A FEDERAL REGISTRATION WITH THE UNITED STATES PATENT AND TRADEMARK OFFICE, AND IF AN ALTERNATIVE TRADEMARK MUST BE ADOPTED AS A RESULT IT MAY INCREASE YOUR EXPENSES.

THE FRANCHISOR AND ITS PARENT HAVE GUARANTEED A \$4.8 MILLION DEBT FOR THE PARENT'S WHOLLY OWNED SUBSIDIARY.

IF YOUR SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS, YOUR SPOUSE WILL BE REQUIRED TO SIGN A PERSONAL GUARANTY MAKING THE SPOUSE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE WHETHER OR NOT THE SPOUSE IS AN OWNER OF THE FRANCHISE.

THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER AND THEIR SPOUSE AT RISK.

THERE MAY BE OTHER RISKS GOVERNING THIS FRANCHISE.

Your state law may supersede the provisions regarding out of state litigation and choice of law, which may not be enforceable in your state. See special state disclosures in the state addenda to the Franchise Agreement and Disclosure Document attached as Exhibit J.

This Franchise is registered in the states listed and on the effective dates noted on the following page.

EFFECTIVE DATES IN REGISTRATION STATES

California: ~~March 29, 2016~~

Illinois: _____

Minnesota: June 10, 2003, as amended ~~April 5, 2016~~

New York: April 11, 2014, as amended _____

North Dakota: ~~April 13, 2016~~

South Dakota: ~~March 30, 2016~~

Washington: _____

Wisconsin: ~~March 31, 2016~~

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS FRANCHISE DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT J.

Item 1

THE FRANCHISOR ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document, the franchisor HuHot Mongolian Grills, L.L.C. will be identified as "HuHot," "We," or "Us." "You" means the legal entity and its owners, collectively (corporation and its shareholders; or limited liability company and its members, or a partnership and its partners) who buy the unit franchise to own and operate a HuHot Mongolian Grill Restaurant (the "Restaurant") under the mark "HuHot Mongolian Grill," ~~or the entity and its owners who buy the rights under an Area Development Agreement to own and operate multiple Restaurants.~~

HuHot is a Montana limited liability company formed on August 30, 2001. HuHot conducts business under the name "HuHot Mongolian Grill" and operates a franchise distribution system under the name "HuHot Mongolian Grill." The agent for service of process on HuHot is listed on Exhibit F.

The principal place of business of HuHot is 223 East Main Street, Missoula, Montana 59802. Prior to 2005, its principal place of business was 777 Vintage Road, Missoula, Montana 59803.

HuHot's Parent Company and Predecessors

Our parent is Mongolian Grill Restaurants, LLC ("MGR"), which was incorporated in Delaware on March 20, 2012. Its principal address is 223 East Main Street, Missoula, Montana 59802.

We have no predecessors.

HuHot's Affiliates

HuHot has no Affiliates that offer franchises in any line of business or provide products or services to our franchisees. However, HuHot has Affiliates that own and operate HuHot Restaurants, as described below.

Description of the Traditional Unit and Express Unit Franchise

A HuHot Mongolian Grill Restaurant ("HuHot Restaurant") is a sit-down restaurant offering Asian-style cuisine cooked on a grill, using fresh meats, poultry, fish, seafood, vegetables, and sauces, individually selected by the customer. The typical HuHot Restaurant will offer non-alcoholic beverages, as well as beer, wine and full bar service, appetizers and a limited menu of dessert items. HuHot Restaurants feature distinctive, contemporary décor with an Asian flavor in a free-standing, mall or strip center location. The only differences between the Traditional Unit model and the Express Unit model are the size and seating capacity. The

Traditional Unit model is approximately 4,000 to 6,500 square feet with seating for approximately 100 to 225 customers. The Express Unit model is approximately 2,000 to 2,500 square feet with seating for approximately 50 to 100 customers.

The full-size HuHot Restaurants will be operated under the service mark "HuHot Mongolian Grill" plus design, and any other trademarks, service marks and commercial symbols (the "Marks") as HuHot authorizes. The express Restaurants will be operated under the service mark "NuHu Mongolian Express" plus design, and any other trademarks, service marks and commercial symbols as HuHot authorizes.

You may be in competition with others offering comparable services and products to retail consumers. You will have to compete with other Mongolian grill-type and Asian-style restaurants and, to a lesser extent, with other outlets offering sit-down food service at a moderate price point. You should realize that the restaurant industry is highly competitive and competition affects both HuHot and its franchisees.

There are no regulations specific to the operation of a Mongolian grill-type business. You must comply with all local, state and federal health and sanitation laws in operating your HuHot Restaurant. As a seller of food and beverage items, your activities are regulated by, and you are solely responsible for complying with, at your own expense, the Food and Drug Administration ("FDA") and the United States Department of Agriculture and those federal and state laws and regulations relating to food and nutrition labeling and claims, including the Federal Food, Drug and Cosmetic Act, 21 U.S.C. §101 *et seq.* (the "Act"), as amended by the Affordable Care Act of 2010 and the regulations promulgated thereunder, including the rule mandating nutrition labeling of menu items and calorie content on menus. You must also comply with any and all nutrition labeling requirements imposed by federal, state or local law which may be enacted after the issuance date of this disclosure document. You must also at your own expense comply with security standards established by the Payment Card Industry Security Standards Council, in connection with credit card transactions. In addition, your business will be subject to state and local liquor control laws, ordinances, rules and regulations and licensure requirements.

We will grant to corporations, limited liability companies or partnerships ("Entity"), whose owners and principals meet our standards, franchises to own and operate a HuHot Restaurant at a specific location, under the HuHot Marks in accordance with the terms of its standard franchise agreement (the "Franchise Agreement") attached as Exhibit A. HuHot grants a franchise to operate in a location leased or owned by you, completely improved and equipped in accordance with HuHot's décor (this décor may vary somewhat depending on whether the franchise is located in a strip center, a free-standing building, or other structure). Once established and approved by us, no changes in the interior or exterior design of a Restaurant or the equipment or fixtures used within may be made without our prior written consent. The HuHot Restaurant will offer its unique brand of Asian-style cuisine under the Marks in accordance with our standards as set forth in the Franchise Agreement and Operations Manual.

The food and drink products utilized in the HuHot Restaurant must meet established standards and specifications.

Area Development Rights

~~_____ We also grant to certain qualified persons ("Developers") the right, subject to certain terms and conditions set forth in our Area Development Agreement (the "Area Development Agreement"), to develop and operate multiple HuHot Restaurants within defined geographical areas.~~

~~If you are a Developer, you must open certain cumulative numbers of HuHot Restaurants ("Minimum Development Quota") over a number of development periods, as set forth in Exhibit B to the Area Development Agreement ("Development Periods"). Both the Traditional Unit and the Express Unit models count toward the Minimum Development Quota. Minimum Development Quota and Development Periods are determined by you and us on the basis of the market potential, size of the designated area, and through an analysis of your financial and operational capabilities. With respect to each HuHot Restaurant you open in your designated area, you must sign our then current form of Franchise Agreement. The amount of the initial franchise fee will be as set forth in Item 5, and will not be subject to increase. Subject to certain terms and conditions, your right to own and operate Restaurants within the designated area is exclusive so long as the Area Development Agreement is in effect. See Item 12 regarding development rights, obligations and exclusivity.~~

If you are a corporate entity, partnership, or limited liability company, all individuals who have an ownership interest in said entity must personally guarantee the obligations of said entity.

Background of Franchisor and Affiliate-Owned Restaurants and Company-Owned Restaurants

We have never conducted a business of the type to be operated by you. Our primary business is selling franchises and developing brand products and services.

Montana Pizza, Inc. ("MTP") was formed in 1979 to operate Godfather's Pizza franchised restaurants in various locations in Montana. From June 1999 to August 2002, it operated under the name "Mongos Mongolian Grill." In August 2002, it changed the restaurant's name to HuHot Mongolian Grill. The shareholders of MTP are also minority shareholders in HuHot. MTP currently owns 3 Godfather's Pizza stores at various locations in Montana that it operates under franchise agreements with Godfather's Pizza, and 1 HuHot Mongolian Grill restaurant in Missoula, Montana. This Mongolian Grill restaurant is the prototype for the HuHot restaurant concept that is the subject of this franchise offering.

In addition, Hot Grills, Inc. ("HG") was formed in August 2002 to operate HuHot Mongolian Grill restaurants in various locations in Montana and Washington. The shareholders

of HuHot are also minority shareholders in HG. Some of the HG shareholders are minority shareholders in HuHot. The combined interest of HuHot shareholders in HG represents a minority interest in Hot Grills, Inc. HG has operated HuHot restaurants in Spokane, Washington since August, 2003, in Billings, Montana since November 2003, and in Fort Collins, Colorado since September of 2008. The combined interest of HG shareholders in HuHot represents a minority interest in HuHot. Hot Grills, Inc. opened a "HuHot Express" concept in Fort Collins, Colorado in August 2010, which it closed in September of 2015. We have been offering franchises for the Express Unit concept since 2013.

In addition, Top Tier Colorado, LLC ("TTC") was formed in April 2010 to operate the HuHot Mongolian Grill restaurant in Colorado Springs. The shareholders of HuHot are also minority members in TTC. Some of the TTC members are minority shareholders in HuHot. The combined interest of HuHot shareholders in TTC represents a majority interest in Top Tier Colorado, LLC. TTC operates 3 HuHot restaurants in Colorado. The combined interest of TTC members in HuHot represents a majority interest in HuHot.

In addition, Hot House, LLC was formed on November 29, 2012 to operate an affiliate-owned Restaurant in Utah. Some of the members of Hot House, LLC own a minority interest in MGR, the parent of HuHot. The restaurant owned by Hot House, LLC opened on November 1, 2013.

In addition, Mongolian Grill Restaurant Operating Company, LLC ("MGROC") was formed on May 22, 2012 to acquire and operate formerly-franchised HuHot Mongolian Grills restaurants in various locations. MGROC is a wholly-owned subsidiary of MGR, as is HuHot. Based on that relationship, we consider the restaurants owned and operated by MGROC to be company-owned units as distinguished from affiliate-owned units, even though they are not technically owned by the Franchisor. MGROC has operated 8 HuHot restaurants since December of 2012, in Indiana (2), Utah (1), and Wisconsin (5).

Neither HuHot nor any affiliate of HuHot has offered franchises in this or other lines of business, other than the HuHot franchise..

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Item 2
BUSINESS EXPERIENCE

Chief Executive Officer and Director - ANDREW W. VAP

Andrew Vap has been Chief Executive Officer, Director of Training and Director of HuHot since its inception in August 2001. Since May 1997, he has been employed by MTP in Missoula, Montana as Director of Operations and Marketing. MTP operates several Godfather Pizza restaurants in Montana under franchise agreements with Godfather's Pizza, Inc. and the original HuHot Mongolian Grill that opened in June 1999.

President and Director - LINDA E. VAP

Linda Vap has been President and Director of HuHot since its inception in August 2001. Since 1979, Mrs. Vap also has been employed as President of MTP in Missoula, Montana.

Chief Operating Officer – JEFFREY A. MARTIN

Jeff Martin has been Chief Operating Officer since May of 2014. From March of 2010 to May of 2014, he was Vice President of Operations.

Chief Brand Officer – MOLLY VAP O'SHEA

Molly Vap O'Shea has been Chief Brand Officer since May of 2014. From January of 2005 to May of 2014 she was Vice President of Franchise Development.

Vice President of Marketing – STEPHANIE KRAUSE

Stephanie has been Vice President of Marketing since May of 2014. From March of 2010 to May of 2014 she was Director of Marketing.

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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.

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Item 5
INITIAL FEES

Franchise Fee

You must pay an initial franchise fee of \$40,000 for either the full-size Restaurant or the express Restaurant, payable upon signing the Franchise Agreement. The initial franchise fee shall be fully earned when you pay it to HuHot. The franchise fee is refundable only under the following 2 conditions:

- (i) If you or we cannot agree on a site for your Restaurant, then we will refund you \$35,000 of the initial franchise fee, or
- (ii) If during the course of the training programs we conclude that you have not successfully completed the sales/operations seminar and technical training seminar, we may, in our sole discretion and judgment, cancel this Agreement and all rights hereunder, where permitted by applicable law, by giving notice to you and tendering to you a refund in the amount of \$30,000.

We do not give refunds of the initial franchise fee under other circumstances.

In our most recent fiscal year (2016~~2015~~), we ~~reduced~~did not vary the initial franchise fee by \$17,500 for ~~1 existing experienced Franchisee who was opening an additional HuHot Restaurant in any 2015~~. This franchisee provided its own opening team for its new Restaurant and required significantly less opening support from us.

Area Development Agreement

~~—— We charge a non-recurring and non-refundable Development Fee of \$20,000 per restaurant to be developed, which you must pay in a lump sum when you sign the Area Development Agreement. You must, if you are not already a HuHot Mongolian Grill Restaurant Franchisee, sign 1 franchise agreement and pay the \$40,000 franchise fee, simultaneously upon signing of the Area Development Agreement.~~

~~—— For each HuHot Restaurant you open under the Area Development Agreement, you get a credit of \$10,000 toward the franchise fee. That means that your initial franchise fee will be \$30,000 per Restaurant (instead of \$40,000). The initial franchise fees for each HuHot Restaurant, up to the number of Restaurants required by your Minimum Development Quota, are not subject to increase, even if we in the future increase the initial franchise fees for new franchisees. In the event you open more than the number of Restaurants required to meet your Minimum Development Quota, either within or outside his Exclusive Area, you will pay then-current initial franchise fee, which may be different than the \$40,000 initial franchise fee noted~~

~~above.~~

~~We do not give refunds of the Development Fee under any circumstances.~~

Preliminary Agreement

You may, but are not required to, sign a Preliminary Agreement (attached as Exhibit ~~LK~~) and pay a \$10,000 deposit for a HuHot Franchise. You would sign it if you do not have an approved location for a HuHot Restaurant and you want to locate your site prior to the execution of a Franchise Agreement. The \$10,000 deposit is credited toward your franchise fee, only if we grant you a franchise. The Preliminary Agreement gives you a period of 90 days in which to locate a site and 14 days after we approve your site to sign the Franchise Agreement. If you or we terminate the Preliminary Agreement within 30 days of its effective date, for any or no reason, the deposit is fully refundable, without interest. If you terminate the Preliminary Agreement following the 30 day period, we will refund \$5,000 of the deposit, without interest. We may terminate the Preliminary Agreement if, within 90 days of its effective date, you do not select a site approved by us, or if you do not sign a Franchise Agreement with us within 14 days after we approve your site. If we terminate the Preliminary Agreement under those circumstances, we will refund \$5,000 of the deposit, without interest. We may terminate the Preliminary Agreement and retain all of your deposit, if: (i) you make a material misrepresentation or omission in your franchise application or in your dealings with us; (ii) you are convicted by a trial court of or plead no contest to a felony or other crime or offense, or engage in any other conduct, which might in our opinion adversely affect the reputation of a HuHot Restaurant or the goodwill associated with the Marks; or (iii) you make any unauthorized use or disclosure of any of our confidential information or breach any other agreement with us.

At our discretion, we may waive some or all of the initial franchise fees and royalties for Affiliate-owned Restaurants.

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Item 6
OTHER FEES

Both Traditional Unit and Express Unit Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenues; <u>If a state or local law prohibits or restricts in any way Franchisee's ability to pay and HuHot's ability to collect Royalty Fees or other amounts based on Gross Revenues if applicable law does not permit a royalty to be paid or received on sales derived from the sale of alcoholic beverages. For Developers, the royalty fee ranges between 4% and 5%. We determine at the exact royalty fee, not on a specific formula, but applying factors such as Restaurant, then HuHot and Franchisee will renegotiate the number of Restaurants you open, your experience in Royalty Fees and other provisions to provide the business, same basic economic effect to both HuHot and Franchisee as otherwise provided in</u>	Every Friday for the preceding Reporting Week (Monday through Sunday).	Gross Revenues is the entire amount of all gross sales and business receipts, including direct or indirect barter transactions, wholesale accounts (both on and off premises) from the operation of the Restaurant, whether for cash or credit. Does not include sales, use or service taxes or customer refunds and approved rebates, discounts and allowances, or revenues from the sale of alcoholic beverages if prohibited by law.

Type of Fee	Amount	Due Date	Remarks
	the market to be developed, and the development timetable for your restaurants. <u>Franchise Agreement</u>		
Marketing Fund Contribution	0.5% of Gross Revenues, subject to increase by us to not more than 3% of Gross Revenues when there are at least 500 HuHot Restaurants	Every Friday for the preceding Reporting Week.	Gross Revenues calculated in the same manner as for Royalty Fee.
Transfer Fee	\$3,500	Before transfer.	Payable if you sell a controlling interest in your franchise. If a proposed sale is not completed, you must reimburse us for our reasonable expenses relating to the transfer request.
Training Fee for Transferee	\$2,500	Before transfer	Payable if the person who buys your franchise has not previously completed our training program.
Reimbursement of Costs in Connection with Transfer that is not Consummated	Our expenses, not to exceed \$3,500	10 days after billing	If you initiate a transfer of your franchise, and it is not consummated, you must reimburse us our costs expended in connection with processing the transfer.
Penalty for Default in Submitting Reports	\$100 per day	Beginning on 15 th day after default	You must pay a \$100-per-day penalty if you fail to submit required reports or furnish supporting data as specified in the Franchise Agreement and/or Operations Manual.
Audit	Cost of examination or audit, including charges of independent accountants and travel expenses, room and board, compensation of HuHot employees.	10 days after billing.	If audit is necessary due to your failure to furnish reports or if audit shows an under-reporting of 1.5% or more of Gross Sales.
Interest	Lower of 1.5% per month or highest contract rate allowed	Upon billing.	On late payments.

Type of Fee	Amount	Due Date	Remarks
	by law.		
Reimbursement of Local or State License Fees	Costs	10 days after billing.	Payable if HuHot pays for licenses required by the franchise agreement when you fail to do so.
Management Fee	\$250 per day. Subject to increase based on the increase in the Cost of Living Index.	10 days after billing.	Payable if HuHot appoints a manager for the Restaurant when the Restaurant is not being managed by you or a qualified manager.
Attorneys' Fees and Costs	Varies	As incurred.	Payable to HuHot if we prevail in any legal action against you.
Additional Assistance	\$250 per day plus travel expenses, room and board	10 days after billing	Payable only if we provide operating assistance as a result of your failure to comply with any provision of the franchise agreement or any specification, standard or operating procedure prescribed by us, or if you request operating assistance in excess of what we normally provide.
Indemnification	Varies	As incurred.	You must reimburse us for any liability or cost we incur by reason of your operation of the Restaurant or your offer or sale of securities.
Testing	Varies but not more than \$250	10 days after billing.	You must reimburse us our costs for testing products, supplies, or materials you request us to approve, plus a reasonable charge based on the amount of time we have to spend on testing.
Evaluation of New Suppliers	\$1,000	10 days after billing	To cover costs for evaluating suppliers you request us to approve. See Item 8.
Relocation Expenses	Costs to us for site approval varies	10 days after billing.	Payable if you want to relocate your Restaurant.
Reimbursement for Insurance	Cost of insurance plus our expenses.	On demand.	Payable only if we pay your premium when you fail to do so.
New Manager Training	\$1,500	Due before training.	If you request us to train a new Restaurant Manager following the opening of your Restaurant, you must pay this fee.
Participation in Internet	Your proportionate share	60 days' notice	Payable only if we require you to participate in a HuHot website or other listing on the Internet.
Reimbursement of our Taxes	Actual amount of our taxes	On demand	Payable only if the state in which your restaurant is located imposes on us a gross receipt or other income tax based on payments you pay us or our Affiliates.
Reimbursement	The actual amount of	On demand	Payable only if you fail to pay the vendors

Type of Fee	Amount	Due Date	Remarks
of SpenDifference Administrative Fee	commission we must pay SpenDifference		with whom SpenDifference negotiated purchase arrangements for products you ordered from those vendors (see Item 8 of this disclosure document)
Optional Marketing Materials	Per our price list	When billed	You may, but are not required to, purchase marketing materials we create and produce. The prices you pay are according to our price list, which are under market rate. Your payments go back into the Marketing Fund.

In the event you default in your payments to us, we have the right to require you to make all future payments to us by electronic bank draft.

In our most recent fiscal year (~~2016~~~~2015~~) we reduced the royalty fees for ~~42~~ Affiliate-owned HuHot Restaurant~~s~~. Other than this variance, in fiscal year ~~2016~~~~2015~~ we did not vary any fees set forth in this Item 6 for any franchised HuHot Restaurant. At our discretion, we may waive some or all of the royalties for Affiliate-owned Restaurants. All fees are imposed by and are payable to us except fees for local or cooperative advertising. All fees are non-refundable.

~~Area Development Agreement~~

~~There are no other fees you pay us under the Area Development Agreement.~~

~~The remainder of this page is left blank intentionally.~~

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Unit Franchise Agreement

Type of Expenditure	Amount (Low - High Range)	Method of Payment	When Due	To Whom Payment is to be made
Franchise Fee Deposit ⁽¹⁾	\$10,000	Lump Sum	When you sign the Preliminary Agreement	HuHot
Initial Franchise Fee ⁽²⁾	\$40,000	Lump Sum	When you sign the Franchise Agreement	HuHot
Training ⁽³⁾	\$4,000 - \$6,000	As incurred	As incurred	Hotels; Transportation Lines; Restaurants
Leasehold Improvements ⁽⁴⁾	\$400,000 \$495,000 - \$500,000 \$608,000	As agreed	As incurred	Suppliers
Furniture, Fixtures, Equipment, Signs ⁽⁵⁾	\$225,000 \$290,000 - \$250,000 \$350,000	As agreed	As incurred	Suppliers
Opening Inventory, Supplies, Smallwares, Store Opening Materials ⁽⁶⁾	\$40,000 \$55,000 - \$60,000 \$65,000	As agreed	As incurred	Suppliers
First Month's Rent and Security Deposit ⁽⁷⁾	\$15,000 \$20,000 - \$30,000	As agreed in lease	As agreed in lease	Lessor
Insurance ⁽⁸⁾	\$5,000 - \$10,000	Lump Sum	As incurred	Insurance Company
Prepaid Expenses, Deposits ⁽⁹⁾	\$35,000 - \$610,000	Lump Sum	As incurred	Third Parties
Professional Fees ⁽¹⁰⁾	\$20,000 - \$30,000 \$40,000	As Agreed	As incurred	Professionals
Additional Funds - 3 months ⁽¹¹⁾	\$30,000 \$40,000 - \$50,000 \$60,000	Varies	As incurred	Third Parties
TOTALS	\$782,984,000 \$821,219,000			

(1) **Franchise Fee Deposit.** If you enter into a Preliminary Agreement, you must pay us a deposit in the amount of \$10,000. If you ultimately sign a Franchise Agreement, you must pay us

the balance of the applicable initial franchise fee at the time you sign the Franchise Agreement. See Item 5 concerning the refund of the deposit.

(2) Initial Franchise Fee. You will pay an initial franchise fee of \$40,000 when you sign your Franchise Agreement. If you signed a Preliminary Agreement and paid the \$10,000 deposit, you will pay the balance of \$30,000 when you sign the Franchise Agreement. See Item 5 concerning the refundability of the initial franchise fee.

(3) Training. You are not charged an additional fee for your initial training. You must pay for transportation and the expenses for your meals and lodging while you attend the program. The total cost will depend on how far you travel and the type of accommodations you choose. This estimate is based on 2 people attending the training.

(4) Leasehold Improvements. The leasehold improvements you must make include, but are not limited to, flooring, ceiling, lighting, plumbing (including compliance with the Americans With Disabilities Act), electrical upgrades and services, supplemental HVAC, custom exterior décor construction, exterior décor modifications, telephone line installation for the Restaurant and for the POS System, and cabinetry. The cost of leasehold improvements will vary depending upon the size, condition and location of the premises, price differences between suppliers, shipping costs, and terms negotiated with the lessor. In addition, you may incur change order charges for altering or supplementing the architectural plans, which may not address every detail that you need or want in your Restaurant.

(5) Furniture, Fixtures, Equipment, Signs. You must purchase or lease furniture, fixtures and equipment that meet our specifications. This estimate is for the purchase of the following items: exterior signage, shelving, sneeze guards, POS System, booths, tables, chairs, light fixtures, window blinds, grill, steam kettle, vegetable dicers, walk-in freezer/cooler, dishwasher line, fryers, 3-door freezers, food line cold pans, kitchen table/shelving, bottle chiller, glass chiller, glycol system, salad make table, dessert refrigerator, ice machine. The cost of furniture, fixtures and equipment will vary depending on location and size of the premises, shipping costs, and price differences between suppliers.

(6) Opening Inventory, Supplies, Smallwares. This estimate is for initial basic inventory and miscellaneous supplies and smallwares necessary to begin operating the Restaurant, including food products, paper goods, alcoholic and non-alcoholic beverages, china, silverware, glassware, storage containers and food line pans. These expenses will vary depending on shipping costs, price differences between suppliers, and taxes on alcoholic beverages. This estimate also includes approximately \$5,000 for store opening materials you purchase from an approved supplier. These opening materials may vary from time to time, but typically include store VIP party invitations and envelopes, menus, takeout menus, table-top promotional materials, business cards, comment cards, food line labels, in-store banners, laminated prep sheets and recipe books, opening gift card supply, and gift card promotional materials.

(7) First 3 Month's Rent and Security Deposit. The estimate is for the first month's rent and security deposit typically required to be paid when you sign a lease. The amount will vary depending on the location of the premises, the size of the Restaurant, and the then-current rental market. Alternatively, you may purchase the premises on which the Restaurant is to be operated.

(8) Insurance. You must purchase the insurance required by us (see Item 8). The estimate is for a semi-annual premium (exclusive of vehicle coverage). The cost of insurance will vary based on the types and limits of the insurance you purchase and other factors affecting risk exposure.

(9) Prepaid Expenses, Deposits. This estimate covers utility deposits and license and permit fees. This expense may be substantially greater if you purchase a liquor license.

(10) Professional Fees. This includes the Architectural Services Fee of \$5,000 payable to our approved supplier for exterior rendering, and trade dress and kitchen design drawings. In addition, you will also need to employ a local architect, and may employ an attorney, accountant or other consultants.

(11) Additional Funds - 3 Months. This estimate covers a portion of your anticipated business operating costs including payroll, rent, other initial costs and expenses for the first 3 months. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. For example, your initial investment costs may be significantly higher if your restaurant location requires substantial exterior modifications or lacks access to sufficient and compatible electric service, natural gas, requires extraordinary plumbing (e.g. installation of bathrooms and plumbing sufficient for kitchen use), and/or lacks HVAC sufficient for restaurant use. Your costs will also depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales levels reached during the initial period of operation. Using a 3-month period is not a representation or guarantee that you will break even sometime during the first 3 months your restaurant is open, nor intended to provide a benchmark as to when you will break even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

WE HAVE COMPILED THESE ESTIMATES BASED ON THE EXPERIENCE OF A PROTOTYPE RESTAURANT IN MISSOULA, MONTANA, AS WELL AS THE GENERAL KNOWLEDGE OF HUHOT'S OFFICERS CONCERNING ESTABLISHMENT OF RESTAURANTS OF VARIOUS KINDS OVER THE PAST 30 YEARS. YOU SHOULD REVIEW THESE FIGURES CAREFULLY WITH A BUSINESS OR FINANCIAL ADVISOR BEFORE MAKING ANY DECISION TO PURCHASE A FRANCHISE.

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Express Unit Franchise Agreement

Type of Expenditure	Amount (Low - High Range)	Method of Payment	When Due	To Whom Payment is to be made
Initial Franchise Fee ⁽¹⁾	\$40,000	Lump Sum	When you sign the Franchise Agreement	HuHot
Training ⁽²⁾	\$4,000 - \$6,000	As incurred	As incurred	Hotels; Transportation Lines; Restaurants
Leasehold Improvements ⁽³⁾	\$200,000 - \$250,000	As agreed	As incurred	Suppliers
Furniture, Fixtures, Equipment, Signs ⁽⁴⁾	\$175,000 - \$200,000	As agreed	As incurred	Suppliers
Opening Inventory, Supplies, Store Opening Materials ⁽⁵⁾	\$20,000 - \$40,000	As agreed	As incurred	Suppliers
First Month's Rent and Security Deposit ⁽⁶⁾	\$10,000 - \$20,000	As agreed in lease	As agreed in lease	Lessor
Insurance ⁽⁷⁾	\$5,000 - \$10,000	Lump Sum	As incurred	Insurance Company
Prepaid Expenses, Deposits ⁽⁸⁾	\$3,000 - \$6,000	Lump Sum	As incurred	Third Parties
Professional Fees ⁽⁹⁾	\$10,000 - \$20,000	As Agreed	As incurred	Professionals
Additional Funds - 3 months ⁽¹⁰⁾	\$20,000 - \$40,000	Varies	As incurred	Third Parties
TOTALS	\$487,000 - \$632,000			

(1) Initial Franchise Fee. You will pay an initial franchise fee of \$40,000 when you sign your Franchise Agreement. See Item 5 concerning the refundability of the initial franchise fee.

(2) Training. You are not charged an additional fee for your initial training. You must pay for transportation and the expenses for your meals and lodging while you attend the program. The total cost will depend on how far you travel and the type of accommodations you choose. This estimate is based on 2 people attending the training.

(3) Leasehold Improvements. The leasehold improvements you must make include, but are not limited to, flooring, ceiling, lighting, plumbing (including compliance with the Americans With Disabilities Act), electrical upgrades and services, supplemental HVAC, custom exterior décor construction, exterior décor modifications, telephone line installation for the

Restaurant and for the POS System, and cabinetry. The cost of leasehold improvements will vary depending upon the size, condition and location of the premises, price differences between suppliers, shipping costs, and terms negotiated with the lessor. In addition, you may incur change order charges for altering or supplementing the architectural plans, which may not address every detail that you need or want in your Restaurant.

(4) Furniture, Fixtures, Equipment, Signs. You must purchase or lease furniture, fixtures and equipment that meet our specifications. This estimate is for the purchase of the following items: exterior signage, shelving, sneeze guards, POS System, booths, tables, chairs, light fixtures, window blinds, grill, steam kettle, vegetable dicers, walk-in freezer/cooler, dishwasher line, fryers, 3-door freezers, food line cold pans, kitchen table/shelving, bottle chiller, glass chiller, glycol system, salad make table, dessert refrigerator, ice machine. The cost of furniture, fixtures and equipment will vary depending on location and size of the premises, shipping costs, and price differences between suppliers.

(5) Opening Inventory, Supplies, Smallwares. This estimate is for initial basic inventory and miscellaneous supplies and smallwares necessary to begin operating the Restaurant, including food products, paper goods, alcoholic and non-alcoholic beverages, china, silverware, glassware, storage containers and food line pans. These expenses will vary depending on shipping costs, price differences between suppliers, and taxes on alcoholic beverages. This estimate also includes approximately \$5,000 for store opening materials you purchase from an approved supplier. These opening materials may vary from time to time, but typically include store VIP party invitations and envelopes, menus, takeout menus, table-top promotional materials, business cards, comment cards, food line labels, in-store banners, laminated prep sheets and recipe books, opening gift card supply, and gift card promotional materials.

(6) First Month's Rent and Security Deposit. The estimate is for the first month's rent and security deposit typically required to be paid when you sign a lease. The amount will vary depending on the location of the premises, the size of the Restaurant, and the then-current rental market. Alternatively, you may purchase the premises on which the Restaurant is to be operated.

(7) Insurance. You must purchase the insurance required by us (see Item 8). The estimate is for a semi-annual premium (exclusive of vehicle coverage). The cost of insurance will vary based on the types and limits of the insurance you purchase and other factors affecting risk exposure.

(8) Prepaid Expenses, Deposits. This estimate covers utility deposits and license and permit fees. This expense may be substantially greater if you purchase a liquor license.

(9) Professional Fees. This includes the Architectural Services Fee of \$5,000 payable to our approved supplier for exterior rendering, and trade dress and kitchen design drawings. In addition, you will also need to employ a local architect, and may employ an attorney, accountant or other consultants.

(10) Additional Funds - 3 Months. This estimate covers a portion of your anticipated business operating costs including payroll, rent, other initial costs and expenses for the first 3 months. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. For example, you initial investment costs may be significantly higher if your restaurant location requires substantial exterior modifications or lacks access to sufficient and compatible electric service, natural gas, requires extraordinary plumbing (e.g. installation of bathrooms and plumbing sufficient for kitchen use), and/or lacks HVAC sufficient for restaurant use. Your costs will also depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales levels reached during the initial period of operation. Using a 3-month period is not a representation or guarantee that you will break even sometime during the first 3 months your restaurant is open, nor intended to provide a benchmark as to when you will break even. NOTE: These figures do not include draw or salary for you. You should have additional sources for payment of personal living expenses.

We have compiled these estimates based on the experience of a prototype restaurant in Fort Collins, Colorado, as well as the general knowledge of HuHot's officers concerning establishment of restaurants of various kinds over the past 30 years. You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

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Area Development Agreement

For 2 Restaurants

Row #	Type of Expenditure	Amount (Low—High Range)	Method of Payment	When Due	To Whom payment is to be made
A	Development Fee (@\$20,000)	\$40,000	Lump Sum	When you sign the Area Development Agreement	HuHot
B	Initial Investment for Restaurants (from the table above for the Unit Franchise Agreement):	\$1,554,000— \$1,934,000	See table above for Unit Franchise Agreement for each amount	See table above for Unit Franchise Agreement for each amount	See table above for Unit Franchise Agreement for each amount
C	Total of Rows A + B	1,594,000— \$1,974,000			
D	Less Credit toward Franchisee (@\$10,000 per restaurant)	—\$20,000			
E	Totals	\$1,574,000— \$1,954,000			

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For 5 Restaurants

Row #	Type of Expenditure	Amount (Low—High Range)	Method of Payment	When Due	To Whom payment is to be made
A	Development Fee (@\$20,000)	\$100,000	Lump Sum	When you sign the Development Agreement	HuHot
B	Initial Investment for Restaurants (from the table above for the Unit Franchise Agreement):	\$3,885,000— \$4,835,000	See table above for Unit Franchise Agreement for each amount	See table above for Unit Franchise Agreement for each amount	See table above for Unit Franchise Agreement for each amount
C	Total of Rows A + B	3,985,000— \$4,935,000			
D	Less Credit toward Franchisee (@\$10,000 per restaurant)	—\$50,000			
E	Totals	\$3,935,000— \$4,885,000			

~~Other than the Development Fee of \$20,000 per HuHot restaurant to be developed, you incur no other initial investment expenses in connection with the Area Development Agreement. The above tables show the initial investment to open 2 to 5 restaurants under the Area Development Agreement. The Development Fee is not refundable under any circumstances.~~

~~The initial Franchise Fee is refundable in part; see Item 5. None of the other fees to us is refundable. Refundability of any payments to third parties must be arranged directly with the third parties.~~

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Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must acquire architectural services from us or our affiliates. These include providing an exterior rendering, and trade dress and kitchen design drawings. In 2016 we received \$10,000 in architectural fees, which was 0.2% of our total revenue of \$4,429,651 in 2016. These figures are from our 2016 audited financial statements.

You must obtain Aloha software and When To Manage software from our designated vendors, which are the manufacturers of that software.

As described below in this Item 8, you must purchase certain categories of products from vendors who have entered into Vendor Agreements with SpenDifference. Those categories, which are listed on Exhibit B to the SpenDifference Agreement, include dairy products, meat, produce, paper, and other items. You must also purchase your sauces from All American Seasonings.

There currently are no other goods or services for your HuHot Restaurant that you must buy or lease from us or one of our affiliates or for which we or one of our affiliates is an approved supplier or the only approved supplier. However, we reserve the right to require you to purchase items from us or our designated source in the future. We or our affiliates may derive revenue or other material consideration from your purchases from us or our designated source in the future. We also have the right to impose a surcharge on approved suppliers.

To maintain the quality of the goods and services that HuHot Restaurants use and sell and our system's reputation, we currently require you to obtain basic design services (including basic store plans and specifications), kitchen design and specification services, exterior design services, wall murals, flooring, cabinetry, kitchen equipment, furniture and fixtures, and various food items (including sauces, soups, salad dressings, and proprietary designated and/or contracted food items) only from suppliers that we designate or approve. We do not currently derive revenue or other material consideration from your purchases of products and services from these approved suppliers, but we reserve the right to do so in the future. In addition to the services that you must obtain from the designated suppliers of architectural services, and the designated subcontractors and vendors described in this paragraph, you must hire your own local architect and contractors in connection with the build-out of your HuHot Restaurant in accordance with plans and specifications to be approved by us.

We may in the future negotiate arrangements with suppliers for the purchase of food products, supplies and equipment. We reserve the right to arrange with suppliers to pay a rebate or marketing fee to the Marketing Fund for purchases made by you.

In order to maintain the high standards of the HuHot Restaurants, you must use in the

development and operation of the Restaurant only those brands and models of equipment, fixtures, furniture, POS System, other computer hardware and software, decor items, tableware, merchandise, materials food and drink products which meet our specifications and quality standards. We reserve the right to require that some or all of those items be purchased exclusively from us, our affiliates or other designated sources or approved suppliers in the future.

You must purchase from our approved supplier the Store Opening Materials described in Item 7. Neither HuHot nor any affiliate is currently an approved supplier of any other equipment, fixtures, furniture, decor items, tableware, merchandise, material, supplies or food or drink products. We do not derive any revenue or other material consideration from these required purchases.

Purchases and leases which must be made in accordance with our specifications or from suppliers approved by us represent approximately 60% of your total purchases in establishing your Restaurant and approximately 30% of your total expenses in operating the Restaurant.

We will provide you standards and specifications upon request. We may modify the standards and specifications. If you propose to purchase or lease any equipment, fixtures, furniture, POS System, signs, decor items, tableware, merchandise, materials, products, supplies or services not previously approved by us, you must submit a written request to us for approval before your use of the item. We will consider any request by you for approval of a modification of a standard or specification. If we request you to do so, you must also submit to us sufficient specifications, photographs and/or other information or samples for examination and/or testing. We will communicate to you within a reasonable time our determination on whether we approve the item for your use. We may charge you a reasonable amount to cover our expenses in testing or inspecting any item, which shall not be more than \$250.

We reserve the right in the future to require that you purchase other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate relating to establishing or operating the HuHot Restaurant only from suppliers we approve. In the event we designate approved suppliers in the future, and if you propose to purchase or lease any equipment, fixtures, furniture, POS System, other computer hardware and software, signs, décor items, tableware, merchandise, materials, products, supplies, real estate, or services from suppliers not previously approved by us, you must submit a written request to us and obtain our written approval before your purchase from that supplier. If we request you to do so, you must obtain from a potential supplier information concerning that supplier's financial and other capabilities. We will communicate to you, within 30 days of the date you furnish all the information and materials we require, our determination whether we approve the supplier for your use. If we choose to designate approved suppliers, we will issue you our criteria for approving suppliers upon your written request. We may charge you a reasonable amount to cover its expenses in reviewing a proposed supplier's qualifications.

We reserve the right to revoke our approval of any food or drink products at any time and

upon written notice to you, provided that you may continue to offer and sell all remaining on-hand or ordered inventory of your products as of the date of receipt of written notice from us.

There are no approved suppliers in which any of our officers or any officers of an Affiliate, or a director of either the Franchisor or Affiliate, have an ownership interest.

On January 21, 2011, we entered into a contract, the "SpenDifference Participation Agreement," which we amended by Amendment dated March 14, 2014 ("SpenDifference Agreement") under which we authorize SpenDifference, LLC ("SpenDifference") to negotiate prices and terms for us and for our franchisees with suppliers for the purchase of food products, supplies and equipment. This arrangement consolidates our buying power with other food businesses to help generate leverage with vendors. You must participate and sign a Joinder to the SpenDifference Agreement, both of which (including the Amendment) are attached to the Franchise Agreement as Rider D-1. We do not derive any revenue from this arrangement.

On November 1, 2014, we entered into a contract, the "Sysco Amended and Restated Distribution Services Agreement" ("Sysco Agreement"), with Sysco Corporation as the Distributor and SpenDifference. The Sysco Agreement is attached to the Franchise Agreement as Rider D-2. You must participate and sign the "Franchisee Acceptance Agreement" (Exhibit D to the Sysco Agreement, starting on page 39), which obligates you as a purchaser under the Sysco Agreement. We do not derive any revenue from this arrangement.

On January 21, 2011, we entered into a contract, the "SpenDifference Participation Agreement," which we amended by Amendment dated March 14, 2014 ("SpenDifference Agreement") under which we authorize SpenDifference, LLC to negotiate prices and terms for us and for our franchisees with suppliers for the purchase of food products, supplies and equipment. This arrangement consolidates our buying power with other food businesses to help generate leverage with vendors. You must participate and sign a Joinder to the SpenDifference Agreement, both of which (including the Amendment) are attached to the Franchise Agreement as Rider D. We do not derive any revenue from this arrangement.

We have also negotiated an arrangement with Coca-Cola North America FoodService ("CCF") for the delivery of Coca-Cola fountain beverages to your Restaurant, and monetary incentives for the installation of equipment, equipment lease terms, and payment of marketing support funds from CCF to you. You must participate and sign a Franchisee Participation Agreement with CCF, attached to the Franchise Agreement as Rider E. In fiscal ~~2016~~2015 CCF paid rebates of ~~\$55,176~~42,585, which was paid into the Marketing Fund. In addition, CCF paid us \$10,000 in 2016 for a franchisee convention sponsorship.

We have also negotiated an arrangement with Dr. Pepper/Seven Up, Inc. ("DPSU") for the delivery of Dr. Pepper and Snapple fountain beverages to your Restaurant, and monetary incentives for the installation of equipment, equipment lease terms, and payment of marketing support funds from DPSU to you. In fiscal ~~2016~~2015 DPSU paid us rebates of ~~\$0~~951, which was

paid into the Marketing Fund. In addition, DPSU paid us \$1,000 in 2016 for a franchisee convention sponsorship.

We have designated All American Seasonings as our supplier for sauces. In fiscal 2016~~2015~~ we derived \$0 in revenue from our arrangement with All American Seasonings. In addition, All American paid us \$6,000 in 2016 for a franchisee convention sponsorship.

Other than the SpenDifference Agreement, the Coca-Cola Contract, the Dr. Pepper arrangement, and the All American Seasonings arrangement, we do not negotiate arrangements with suppliers for the purchase of food products, supplies and equipment. We reserve the right to arrange with suppliers to pay a rebate or marketing fee to the Marketing Fund for purchases made by you.

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

The insurance policies you must purchase and maintain throughout the term of the franchise must be issued by an insurance carrier approved by us. You must maintain Workers Compensation including Employers Liability insurance in the limit of no less than \$500,000; Comprehensive General Liability with a General Aggregate of no less than \$1,000,000 including "Hired and Non-Owned" auto liability coverage; Products Liability of \$1,000,000; Internet Liability of no less than \$1,000,000; Umbrella Liability of no less than \$1,000,000; dramshop or host liquor liability coverage if and to the extent required by local law; and Business Interruption insurance in an amount equal to at least 6 months of your gross revenue. We can require you to obtain different or additional kinds of insurance and may increase the amount of coverage required. You must name, on each insurance policy, HuHot Mongolian Grills, L.L.C., 223 East Main Street, Missoula, Montana 59802 as an additional insured on a primary basis, and provide proof of such naming to HuHot annually. The policy must provide for 30 days' prior written notice to HuHot of any material modification, cancellation or expiration of the policy.

Area Development Agreement

~~—The Area Development Agreement does not contain any provisions requiring you to purchase or lease in accordance with specifications or from approved suppliers. As to each HuHot Restaurant you open, you will have the obligation to purchase or lease in accordance with our specifications or from approved suppliers as are in the then current standard form of franchise agreement. The obligations under the current Franchise Agreement are discussed above.~~

Item 9
FRANCHISEE'S OBLIGATIONS

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

Unit Franchise Agreement (both Traditional and Express)

Obligation	Section in Franchise Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
a. Site Selection and acquisition/lease	3.a.	11
b. Pre-opening purchases/leases	3.b., 3.c., 9.b	7, 8
c. Site development and other pre-opening requirements	3.b., 3.c.	7, 11
d. Initial and ongoing training	4.a., 4.b.	6, 11, 15
e. Opening	3.e.	11
f. Fees	3.b, 4.a, 8.a., 8.b., 9.e, 14.b, 14.c	5, 6, 7, 8, 11
g. Compliance standards/Operations Manual	4.c., 9	8, 11, 14, 16
h. Trademarks and proprietary information	5, 6	11, 13, 14
i. Restrictions on products/services	9.a., 9.b., 9.c.	8, 16
j. Warranty and customer service requirements	9.c., 9.d.	16
k. Territorial development	Not applicable	Not applicable
l. Ongoing product/service purchases	9.a., 9.b.	8, 16
m. Maintenance, appearance and remodeling	3.b, 3.d., 9.a., 9.b., 9.c., 12.a	8, 11, 16, 17
n. Insurance	9.g.	6, 7, 8
o. Advertising	9.d., 10	6, 7, 11
p. Indemnification	5.e, 7.d., 7.e.	6, 13
q. Owner's participation management/staffing	4.a., 4.b., 9.e., 14.c, 17.f	15
r. Records/reports	11	6
s. Inspections/audits	12	6, 11
t. Transfer	14	6, 17
u. Renewal	2.b.	6, 17
v. Post-termination obligations	17	17

Obligation	Section in Franchise Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
w. Non-competition covenants	9.f., 17.d.	17
x. Dispute resolution	19.d, 19.e, 19.f, 19.g, 19.i	6, 17

Area Development Agreement

Obligation	Section in Area Development Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
a. Site Selection and acquisition/lease	2.A	11, 12
b. Pre-opening purchases/leases	Not applicable	Not applicable
c. Site development and other pre-opening requirements	2.B	7, 11
d. Initial and ongoing training	Not applicable	Not applicable
e. Opening	2.B.	11
f. Fees	6	5, 6, 7, 8, 11
g. Compliance standards/Operations Manual	Not applicable	Not applicable
h. Trademarks and proprietary information	Not applicable	Not applicable
i. Restrictions on products/services	Not applicable	Not applicable
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development	3.C.	12
l. Ongoing product/service purchases	Not applicable	8, 16
m. Maintenance, appearance and remodeling	Not applicable	Not applicable
n. Insurance	Not applicable	Not applicable
o. Advertising	Not applicable	Not applicable
p. Indemnification	Not applicable	Not applicable
q. Owner's participation management/staffing	Not applicable	15
r. Records/reports	Not applicable	Not applicable
s. Inspections/audits	Not applicable	Not applicable
t. Transfer	Not applicable	Not applicable
u. Renewal	Not applicable	Not applicable
v. Post termination obligations	9	17
w. Non-competition covenants	9.C	17

Obligation	Section in Area Development Agreement (unless otherwise specified)	Item in Franchise Disclosure Document
x. ——— Dispute resolution	Not applicable	Not applicable

Item 10
FINANCING

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

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Item 11
FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

Before Opening of the Restaurant

We will provide the following services and guidance in connection with the establishment of your Restaurant:

We will assist you in selecting a site for the Restaurant (Paragraph 3.a, Franchise Agreement). However, you must locate your site and obtain our approval of your site. We do not negotiate the purchase or lease of your site.

We will provide you architectural services in the form of exterior rendering, trade dress and kitchen design drawings (for a fee). (Paragraph 3.b., Franchise Agreement).

We will provide you specifications for the development of a HuHot Restaurant including a décor package, equipment package and fixture package. When you have located a site and obtained our approval of that site, you must obtain a basic store layout from our designated architect (see Item 8). You must take these drawings and specifications to a licensed or registered architect of your selection who will modify them to meet applicable ordinances, building codes or permit requirements for the Restaurant location. You must also use certain subcontractors that we designate (see Item 8). We must approve any modifications to the basic layout and specifications (paragraph 3.b., Franchise Agreement).

We will lend you a HuHot Restaurant Operations Manual, consisting of 3 binders (collectively, the "Operations Manual"), any other manuals we may develop, and related types of materials and charts (Paragraph 4.c., Franchise Agreement). Tables of Contents of the Restaurant Operations Manual for the Traditional Unit and for the Express Unit are attached as Exhibit G. As of the date of this Franchise Disclosure Document, the total number of pages in the 3 binders comprising the Operations Manual for the Traditional Unit was 215; and for the Express Unit was 170.

We furnish an initial training program that is described in more detail later in this Item 11 (Paragraph 4.b, Franchise Agreement).

After the Opening of the Restaurant

During the operation of the Restaurant, we will provide the following:

We will provide additional training and opening assistance at your location around the time of the Restaurant opening. This training will be given by employees of HuHot or by a third party to HuHot (Paragraph 4.a, Franchise Agreement).

We will continue to lend you the Operations Manual and any other manuals we may develop. We may provide you with modifications to the manual to reflect changes in specifications, standards and operating procedures (Paragraph 4.c, Franchise Agreement).

We will furnish guidance to you on: (1) specifications, standards and operating procedures used by HuHot Restaurants, and any modifications thereof; (2) approved equipment, furniture, POS System, signs, operating materials and supplies; (3) methods of food preparation and sale and improvements thereon; and (4) the establishment and maintenance of administrative, bookkeeping, accounting and general operating and management procedures. This guidance may be in the form of the Operations Manual, bulletins, written reports and recommendations, other written materials, or by consultations by telephone or consultations in person at your Restaurant, our corporate offices, or at meetings, conventions and conferences (Paragraph 4.b., Franchise Agreement).

We will advise you of operational concerns at or in your Restaurant as disclosed by reports submitted to or inspections made by us (Paragraph 4.b, Franchise Agreement).

We will defend you in any legal proceeding brought against you by reason of your proper use of the Marks (Paragraph 5.c, Franchise Agreement).

We may conduct market research and testing to determine consumer trends and the salability of new menu items (Paragraph 9.a, Franchise Agreement).

We will conduct testing and review as it deems necessary to determine whether a product or supplier proposed by you should be approved (Paragraph 9.b, Franchise Agreement).

We will establish and administer a Marketing Fund to conduct marketing and promotional programs (Paragraph 10.a., Franchise Agreement).

We will review all local advertising and promotional materials which you propose to use and determine whether the advertising should be approved for use (Paragraph 10.b.iii., Franchise Agreement).

We will interview and evaluate any proposed purchaser of your Restaurant to determine whether the transferee meets its then-current qualifications for franchisees (Paragraph 14.c, Franchise Agreement).

Some or all of the above services may be performed by a third party designated by HuHot, who may or may not be an employee of HuHot.

Marketing and Promotion

You must contribute 0.5% of your Gross Revenues to the Marketing Fund ("Marketing

Fund Contribution”), which is intended to enhance recognition of the Marks and patronage of HuHot restaurants, generally. When there are 500 HuHot Restaurants, we can increase your Marketing Fund Contribution, but the increased amount will not exceed 3% of your Gross Revenues. We are not required to spend any amount in your market. Restaurants owned by HuHot or its affiliates will contribute to the Marketing Fund on the same basis as you.

We will direct all marketing programs financed by the Marketing Fund with sole discretion over the creative concepts, materials and endorsements and the geographic market and media placement and allocation. The Marketing Fund is intended to enhance recognition of the Marks and the HuHot Restaurants. HuHot is not obligated to make expenditures for you that are equivalent or proportionate to your Marketing Fund Contribution or to ensure that you or any particular franchisee benefits directly or proportionately from expenditures by the Marketing Fund. The Marketing Fund is not a “savings account” or an escrow fund from which franchisees can draw to support their marketing campaigns.

The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising and promotional materials; administering multi-regional advertising programs, including purchasing direct mail and other media advertising and employing advertising agencies; and supporting public relations, market research and other advertising and marketing activities.

In fiscal year ending December ~~30, 2016~~ 25, 2016~~2015~~, the Marketing Fund was used as follows:

Printed Materials	0.12%
<u>Professional Graphic Design Services</u>	<u>22.86%</u>
<u>Email Programs/Social Media Services</u>	<u>5.88%</u>
<u>Loyalty/Gift Card Materials</u>	<u>4.60</u> 2.90 %
<u>Home Office Overhead</u>	<u>7.88</u> 8.30 %
<u>Home Office Direct Labor</u>	<u>37.33</u> 31.25 %
<u>Web Advertising</u>	<u>13.77</u> 2.78 %
<u>Production of TV, Radio and Photography</u>	<u>22.77</u> 14.93 %
<u>R&D/Customer Research</u>	<u>4.87</u> 2.75 %
<u>Contest Winners/Prizes</u>	<u>0.38</u> 40 %
<u>Marketing Packages</u>	<u>2.96</u> 4.07 %
<u>Travel and Conventions</u>	<u>2.97</u> 3.06 %
<u>Supplies & Software</u>	<u>0.03</u> 75 %
<u>Postage & Shipping</u>	<u>0.14</u> 05 %
<u>Bank Charges</u>	<u>0.03</u> 02 %
<u>Misc.</u>	<u>(0.35)</u> %
<u>Net Income</u>	<u>5.50</u>
<u>Total:</u>	<u>100.0%</u>

We expended 0% of the Marketing Fund on advertising that was principally for solicitation for the sale of franchises, however, we reserve the right to expend an amount not greater than the amount contributed to the Marketing Fund by company-owned or affiliate-owned HuHot Restaurants on such purposes.

The Marketing Fund will be accounted for separately from the other funds of HuHot and will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs, including conducting market research, preparing advertising, promotional and marketing materials and collecting and accounting for contributions to the Marketing Fund.

We are not required to have the Marketing Fund audited. We will furnish you an unaudited annual report of the Marketing Fund upon written request.

If all Marketing Fund Contributions are not spent in the fiscal year in which they accrue, the monies are simply rolled over for use in the next year. We may terminate the Marketing Fund by giving 30 days written notice of termination. We will have the right to reinstate the Marketing Fund under the same terms and conditions as herein set forth by giving you 30 days prior written notice of reinstatement.

In addition to your Marketing Fund Contributions, you must spend at least 3% of your Gross Revenues on local advertising and promotion, and to submit verification of these expenditures to us each calendar year. At the point that there are 500 HuHot Restaurants and the Marketing Fund Contribution increases to 3%, your local advertising expenditure requirement will decrease to 1% of Gross Revenues.

If your HuHot Restaurant is located in an Arbitron Area of Dominant Influence ("ADI") in which other Franchisees, HuHot or HuHot affiliate-owned Restaurants are located, a local advertising cooperative may be established by the vote of a majority of Restaurants in your ADI. The amount which you may be required to contribute to a local advertising cooperative is determined by the cooperative but may not exceed 3% of the Gross Revenues of your HuHot Restaurant. If at the time you sign a franchise agreement, a local advertising cooperative is in existence, or if after you sign a franchise agreement, a local advertising cooperative is formed in the area where your HuHot Restaurant is located, you must participate. All aspects of the formation and operation of the cooperative are determined by the members of the cooperative; these aspects include the budget, members' contribution, membership of the cooperative, voting rights, responsibility for administration, the governing documents, the preparation of financial statements, and the availability of those statements for review by you. We do not have the power to require cooperatives to be formed or to change, dissolve, or merge existing cooperatives. HuHot or its affiliate-owned Restaurants must participate in any local cooperatives in their ADI. Amounts you contribute to the local advertising cooperative are credited against your local advertising requirement.

You are permitted to use your own advertising material only after receiving approval of the text from us. Additionally, these materials must be provided to the Marketing Fund where they may then be used by HuHot or other franchisees.

There is an advertising council composed of 4 franchisees. Two of them are elected by franchisee vote, and the other 2 are selected by HuHot. The advertising council serves in an advisory capacity only, and has no decision-making power. HuHot makes the final decisions on the expenditures of the Marketing Fund. HuHot can change or dissolve the advertising council at any time.

The HuHot Rewards is a system-wide loyalty program that requires consumer participation in order to get HuHot emails. The loyalty program is mandatory program and you must participate. There is no separate fee to you for participation; it is funded through the Marketing Fund. We may change the HuHot Rewards program at any time upon notice to you.

Computer Hardware and Software

You must purchase or lease the following hardware: 5 computers, 3 monitors, 8 printers. In addition, you must purchase the following software: Aloha POS software, When To Manage (POS integration software), and Microsoft Office.

The primary function of the required computer and printer is to generate customer bills and reports; and the primary functions of the POS System are customer invoice generation and processing, tracking of type of payment and date payment is received, cost management, inventory control and perpetual inventory management capability, and multiple manipulation of all purchase and customer sales transactions. The software will also give us independent access to your data, which we have the right to use and disseminate to third parties.

The approved manufacturers and vendors of the hardware and software are listed on Exhibit H to this Franchise Disclosure Document.

We also require that you allow us to install and have independent access to your restaurant computer system using a service similar to Logmein.com. This access allows us to download Aloha reports for the purpose of sales verification and helps enhance our ability to provide back of house support.

Use of the hardware and software allows you the capability of running the specified POS System and also ensures that your system is compatible with the computer operating systems of the entire organization.

You will also need to purchase software and systems for managing your database and preparing information for financial statements and tax preparation. We do not provide assistance in this regard and the accounting/bookkeeping systems that you use are up to you. For managing your database we recommend, but do not require, File Marker Pro. For accounting/bookkeeping

systems, we recommend, but do not require, Quickbooks or Peachtree.

The estimated cost of purchasing the hardware and software is \$15,000. We cannot estimate the cost of leasing hardware and software, because it is generally not leased. The current cost for the When To Manage software is \$79 per month.

Although we do not have the contractual right or obligation to provide ongoing maintenance, repairs, upgrades, or updates for the computer hardware or POS System, we may periodically contract with third parties to update the POS System and other software. The estimated annual cost of any optional or necessary maintenance and support contracts, upgrades, and updates for computer hardware and software ranges from \$100 - \$1,500.

Due to the rapid speed at which technology changes, we reserve the right to require you to replace any of the components of your computer system if, in the future, we deem the component to be: (a) undersized or otherwise insufficient for the efficient operation and management of your Restaurant; or (b) incompatible with our computer hardware or software or the computer hardware or software that we designate for System-wide use. The contractual limitations regarding how often we may require you to replace or update the various components of your computer system are included in the limitations on how often we may require you to refurbish your Restaurant, as discussed in Paragraph 3.e. of the Franchise Agreement. These limitations are: you are not required to make aggregate expenditures for refurbishing in excess of 1% of the accumulative gross revenues of the Restaurant of the 6 preceding years to the date of any required refurbishing; we may not require refurbishing more often than every 6 years; and you are not required to effect any refurbishing of the Restaurant during the last 3 years of the initial or any term of a successor franchise except in connection with acquisition of a successor franchise.

Site Selection and Restaurant Opening

We must approve the site for your HuHot Restaurant. You must locate the site using a licensed real estate broker who specializes in commercial real estate. You must submit a complete site report to us. We may consider the following factors in approving a site: people population (150,000 in your trade area), the demographic characteristics (average income of \$35,000), traffic patterns, daily traffic count (at least 35,000), parking, character of neighborhood, competition from other businesses within the area, the proximity to other businesses (including other HuHot Restaurants), and the size, appearance and other physical characteristics of the site. The lease for the site must include certain provisions required by us and stated in the Franchise Agreement.

If you sign a Preliminary Agreement, you have 90 days in which to select a site we approve. If within 90 days you fail to select a site we approve and/or fail to sign a Franchise Agreement with us, we will terminate the Preliminary Agreement and refund \$5,000 of the deposit, without interest. If you fail to locate a site we approve, you will not be granted a franchise.

We cannot and do not guarantee the viability and ultimate profitability of any site which you select and which we approve.

If an approvable site is selected and submitted by you to us at the time the Franchise Agreement is signed, the length of time to the opening of your Restaurant is estimated at 4 to 8 months. If an approvable site is not selected and submitted by you to us at the time the Franchise Agreement is signed, the length of time to the opening of your Restaurant is estimated at 6 to 12 months. Factors affecting these estimates include site selection, local ordinance compliance questions, obtaining financing, build-out and leasehold improvements, contractor delays, delivery of inventory and equipment and successful completion of the initial training program.

If you elect not to sign a Preliminary Agreement, we will approve or disapprove a site you select within 30 days of the date you submit all the required information to us. There is no limit to the number of sites you propose to us. If you and we cannot agree on a site within 30 days of your submitting a proposed site to us, then we can terminate your Franchise Agreement, in which event we will refund \$30,000 of your initial Franchise Fee.

By the terms of the Franchise Agreement, you must open your Restaurant no later than 16 months after signing the Franchise Agreement.

Training

You or a HuHot-approved manager (or, if you are a corporation, partnership or limited liability company, its controlling shareholder, managing partner, member or a HuHot-approved manager) must complete the HuHot Restaurant training program to our satisfaction. You must also bring 1 additional management-level person to the training program. The first phase of the training program will take place at ~~our corporate headquarters at 223 East Main Street, Missoula, Montana 59802, and/or at one of the following 618 affiliate-owned Restaurants: listed below the~~ Training Program table below.

~~7790 N. Academy Blvd.
Colorado Springs, CO 80920~~

~~5843 Constitution Ave.
Colorado Springs, CO 80915~~

~~14697 Delaware Street
Westminster, CO 80023~~

~~7450 W. 52nd Avenue
Arvada, CO 80002~~

~~3507 Ringsby Ct. #112
Denver, CO 80218~~

~~3456 W. College Avenue~~

We will determine where your training will take place. We will notify you at least 14 days in advance where your training will be held. We will hold training periodically, as we determine necessary and desirable. The training program will be for a minimum of 10 days and, generally, a maximum of 20 days, at one of the above locations, which we designate. Training will consist of all phases of the operation including unit operations, bookkeeping, inventory management, and local marketing. You must complete the initial training not earlier than 60 days prior to opening your Restaurant.

We will also furnish training at your Restaurant around the time you open your Restaurant for as long as we believe necessary -- generally for 5 days before the time of the Restaurant opening and for 5 days immediately following the Restaurant opening. Training in your Restaurant will consist of operational management, with emphasis on customer service, follow up procedures, customer relations, and sales reporting procedures.

Although there are no additional fees for the training program, you must pay your own travel and living expenses incurred attending the training program. This training will occur at times scheduled by us and may not be available immediately upon request.

The following table summarizes the training program:

Training Program

Subject	Hours of Classroom Training (2)	Hours of On-The Job Training (2)	Location
Cash Register	1	12	Either at 223 East Main Street, Missoula, Montana 59802 (our corporate headquarters) and/or at an affiliate-owned
Store Equipment	0	12	Same
Introduction to Ingredients	0	5	Same
Starch Product Preparation & Presentation	0	7	Same
Meat & Seafood Product Preparation and Presentation	0	7	Same

Subject	Hours of Classroom Training (2)	Hours of On-The Job Training (2)	Location
Vegetable Preparation & Presentation	0	7	Same
Sauce Preparation and Presentation	0	7	Same
Appetizer and Dessert Preparation and Presentation	0	7	Same
Beverage Preparation and Presentation	0	7	Same
Grill Operation, Cooking Procedures and Presentation	0	18	Same
Customer Service Procedures	4	41	Same
Insurance	1	0	Same
Back of House Accounting	2	8	Same
Daily Administration	1	8	Same
Marketing	2	9	Same
Store Closing Procedures	2	10	Same
Internal Theft Prevention	1	4	Same
Budgeting	1	7	Same
Inventory Procedures and Ordering	1	10	Same
Training and Evaluations	2	10	Same
Franchisee/Franchisor Relationship	1	1	Same
Sanitation and Health Safety Procedures	1	8	Same

The training program will take place one of the 18 affiliate-owned Restaurants listed below:

7450 W. 52nd Ave
Arvada, CO 80002

7790 N Academy Blvd
Colorado Springs, CO 80920

5843 Constitution Ave
Colorado Springs, CO 80915

8336 Northfield Boulevard #1600
Denver, CO 80238

249 South College Ave
Fort Collins, CO 80524

3698 S Natches Ct
Sheridan, CO 80110

The Orchard Town Center
14697 Delaware St
Westminster, CO 80023

2550 East 3rd St
Bloomington, IN 47401

The Pavillions
100 S. Creasy Lane
Lafayette, IN 47905

1806 King Avenue W
Billings, MT 59102

693 North 920 East
Spanish Fork, UT 84660

3456 West College Ave
Appleton, WI 54914

2621 S Oneida S., Ste. 103
Ashwaubenon, WI 54304

2431 Milton Ave.
Janesville, WI 53545

7214 Green Bay Road
Suite 100
Kenosha, WI 53142

610 Junction Rd., Ste 101
Madison, WI 53717

2059 Witzel Ave
Oshkosh, WI 54904

4530 Rib Mountain Drive
Wausau, WI 54401

Explanatory Notes

- (1) The materials used to teach these subjects are a combination of tools including the Operations Manual, Concept Recipe Manual, Employee Training Manuals, Operations Review Template, and supplemental handouts.
- (2) The subjects are in a modular format and subject to varying start and stop time. Additionally, all of the subjects are integrated.

The initial training program will be supervised by various members of the corporate Operations Team, depending on the territory the new Franchise Owner is entering. Orientation and graduation are facilitated directly by the ~~VP of Operations~~ Chief Operating Officer, and the 2-1/2 week program will also have involvement by either of the Directors of Operations.

The training program will be conducted at one of our ~~2 corporate training restaurants in Colorado Springs~~ the 18 affiliate-owned HuHot Restaurants listed above. The Management Team of the training restaurant will have daily interaction with new franchise owners and will coordinate all of the employee position training with qualified trainers in each role. Each trainer will have been certified by us to provide outstanding training leadership and have been hand selected to lead this important function. Also included in this new Franchise Owner training will be a full day of Marketing Training and a full day of higher level POS programming and overview. These additional sessions will be facilitated by the Director of Marketing and the Corporate Operations Manager respectively.

The leadership profiles for all of the trainers are outlined below:

Chief Operating Officer, Jeff Martin: Jeff brings over 30 years of experience within the restaurant industry in multiple roles. He joined HuHot in April of 2010 after departing Seattle based Restaurants Unlimited as Vice President of Operations and Brand Leader. His tenure with RUI was 23 years.

Regional Director of Operations, Dave Leavy: Dave joined the HuHot Team in the summer of 2010. Prior to joining our team, Dave was an Operations Specialist with Quizno's corporate and also has strong management experience with Applebee's and Domino's Pizza.

VP of Marketing, Stephanie Krause: Stephanie oversees the entire Marketing Department and has a high degree of marketing experience with Quizno's corporate, Panera ~~Breads~~ Bread and the Denver based Integer Group, specializing in brand marketing and retail promotions. She has been a part of the HuHot team since early in 2010.

Additional Training Programs. We may also provide refresher and supplemental training programs; however, none are planned at this time. You must attend the refresher or

supplemental training programs. You must pay for your own transportation and living expenses in attending training.

Regional or National Conventions. We may conduct regional or national conventions, which may or may not include refresher or supplemental training. You must pay for your own transportation and living expenses in attending conventions.

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Item 12 TERRITORY

Unit Franchise Agreement (Traditional and Express)

The Franchise Agreement will provide you with an exclusive area or territory as agreed upon by you and HuHot, within which we may not establish or franchise another HuHot Restaurant without your prior written consent (the "Protected Area"). The Protected Area will be a minimum of a 1 mile radius from the location of your HuHot Restaurant. You are granted the right to conduct a HuHot Restaurant from 1 specified location only. You have no options, rights of first refusal or similar rights to acquire additional franchises in any other locations. You may not re-locate your HuHot Restaurant to another location without our prior written consent, which shall not unreasonably be withheld provided that the proposed new location is within the Protected Area granted to you under the Franchise Agreement. We may consider the same factors in approving a relocation as in the initial site selection.

HuHot (on behalf of itself and its affiliates) retains the right, in its sole discretion:

- (1) to itself operate, or to grant other persons the right to operate, HuHot Restaurants at locations, other than in your Protected Area, and on terms and conditions as we deem appropriate; and
- (2) to sell the products and services authorized for HuHot Restaurants under the Marks through such similar and dissimilar channels of distribution (including retail or wholesale, through the Internet, by mail order or catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as HuHot deems appropriate ("alternative distribution channels"). You will receive no compensation for such sales by HuHot.
- (3) to sell the products and services authorized for HuHot Restaurants under other trademarks, service marks and commercial symbols through such similar and dissimilar channels of distribution (including retail or wholesale, through the Internet, by mail order or catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as HuHot deems appropriate ("alternative distribution channels"). You will receive no compensation for such sales by HuHot.

You may not use alternative distribution channels (including use of a toll-free number, catalog, mail order, web site, or the Internet, or any other computer on-line service) to make sales anywhere.

Continuation of your operation at the franchised location is not dependent upon you attaining any particular volume or other contingency.

~~Area Development Agreement~~

~~(1) Size of Exclusive Area~~

~~The Area Development Agreement grants you certain rights (as described below) within a designated geographical area (the "Exclusive Area") to be described in Exhibit A attached to the Area Development Agreement. The size of the Exclusive Area will vary, based on the market potential and our analysis of your financial and operational capabilities. It may be 1 or more counties in rural areas or a portion of a metropolitan statistical area in heavily populated major cities. The Exclusive Area is not based upon a minimum population.~~

~~(2) Rights During Development Periods~~

~~Provided you: (a) are in full compliance with the terms and conditions contained in the Area Development Agreement, including, without limitation, the development obligations contained in Paragraph C of Section 3 thereof; and (b) are in full compliance with all obligations under existing Franchise Agreements entered into between you and under to the Area Development Agreement (including being current on all accounts payable to us); then during the Development Period, we: (1) will grant you, in accordance with the provisions of Section 5 of the Area Development Agreement (described in Item 11 hereof), franchises for the ownership and operation of HuHot Restaurants located within the Exclusive Area; (2) will not operate (directly or through an affiliate), nor grant to any other franchisee a franchise for the operation of, any HuHot Restaurant to be located within the Exclusive Area.~~

~~(3) Development Obligations~~

~~During the term of the Area Development Agreement and any extensions thereof, you must at all times faithfully, honestly, and diligently perform your obligations and continuously exert your best efforts to promote and enhance the development of HuHot Restaurant within the Exclusive Area. Without limiting the foregoing obligation, you must have open HuHot Restaurants at the end of each Development Period ("Minimum Development Quota") and must have each Store open and operating within 120 days from the date you acquire possession of the site. The Development Periods and Minimum Development Quota will be determined by us on the basis of the market potential, size of the Exclusive Area, and our analysis of your financial and operational capabilities, and will be inserted in Exhibit B to the Area Development Agreement before it is signed. We may on occasion, in our sole discretion and on terms and conditions we determine, grant extensions to the development schedule. The continuation of your rights to the Exclusive Area is dependent on your opening the number of HuHot Restaurants set forth in your Area Development Agreement. The continuation of your rights to the Exclusive Area is not dependent on the achievement of a certain sales volume or market penetration or other contingency (other than your opening the required number of HuHot Restaurants). There are no conditions under which we may alter your Exclusive Area. Our sole remedy if you fail to meet your Minimum Development Quota is to terminate your Area Development Agreement.~~

~~(4) Store Closings~~

~~A HuHot Restaurant you own which is permanently closed with our approval after having been open shall be deemed open and in operation for purposes of the Minimum Development Quota if a substitute HuHot Restaurant is open and in operation within 6 months from the date of closing. The replacement Restaurant shall not otherwise count toward your quotas.~~

Any website, e-commerce, Internet, Facebook, Twitter, or other cyberspace application is by its very nature a potential encroachment within the protected territory which we grant to you. You will receive a limited license for the Internet and certain e-commerce applications according to standards, policies and procedures that we establish. We will coordinate all e-commerce, web site use, Internet or other cyberspace applications and receive and fill orders for merchandise and refer customers according to the standards, policies and procedures that we establish. You must participate in all programs and promotions we require, including those which are described as mandatory in the Manual.

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Item 13
TRADEMARKS

Under the Franchise Agreement, we grant you the right to use the service mark “HuHot Mongolian Grill” plus design, and other trademarks, service marks and commercial symbols as we authorize (collectively, the “Marks”). All required affidavits have been filed.

The service mark “HuHot Mongolian Grill” was registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) on July 30, 2002, Registration #2602631.

The service mark “HUHOT” was registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”) on February 2, 2010, Registration #3744576.

The service mark “Conquer Your Hunger” was registered on the Principal Register of the USPTO on February 3, 2009, Registration #3,569,687.

The face design accompanying the service mark “HuHot Mongolian Grill” was registered on the Principal Register of the USPTO on July 30, 2002, Registration #2602630.

The HuHot stylized chopstick design accompanying the service mark “HuHot Mongolian Grill” was registered on the Principal Register of the USPTO on November 14, 2006, Registration #3170802.

The service mark “How Do You HuHot?” was registered on the Principal Register of the USPTO on June 30, 2009, Registration #3648329.

The service mark “Not-So-Sweet & Sour” was registered on the Principal Register of the USPTO on December 29, 2009, Registration #3730625.

The service mark “Burn-Your-Village Barbeque” was registered on the Principal Register of the USPTO on December 14, 2010, Registration #3889791.

The service mark “Kung Pao... Yow!” was registered on the Principal Register of the USPTO on December 14, 2010, Registration #3889792.

The service mark “Bekter’s Ginger” was registered on the Principal Register of the USPTO on December 14, 2010, Registration #3890329.

The service mark “Create. Feast. Repeat.” was registered on the Principal Register of the USPTO on November 29, 2011, Registration #4063425.

The service mark “Five Village Fire Szechuan” was registered on the Principal Register of the USPTO on June 5, 2012, Registration #4152761.

An application to register the service mark "NuHu Mongolian Express" was filed with the USPTO on August 2, 2013, Serial #86027512. It was published for opposition on January 21, 2014. The Statement of Use was filed with the USPTO on March 4, 2015. By not having a federally registered trademark for this Mark, we do not have certain presumptive legal rights granted by a registration.

There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the above-referenced Trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to you. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Trademarks in this state or any other state in which the franchised business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Trademark.

We are also conducting preliminary trademark searches for the names of our twelve prepared sauces. When these searches are complete we will pursue service mark registrations for those names that have a better than fair chance of being available for registration. We hope to complete this process by the end of 2013.

We have the right to require you to use new marks and to discontinue or modify your use of any name or commercial symbol. If it becomes advisable at any time, in our sole discretion, for you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks or service marks, you must do so within a reasonable time after notice by us. In the event we require you to discontinue the use of any name or commercial symbol and to use a substitute mark or commercial symbol, our sole obligation will be to reimburse you your out-of-pocket expenses of complying with this obligation.

Under the Franchise Agreement, you acknowledge that your right to use the Marks is derived solely from the Franchise Agreement and is limited to the conduct of the Restaurant in compliance with the Franchise Agreement and all applicable standards and operating procedures prescribed by us. Any unauthorized use of the Marks by you constitutes an infringement of our rights in and to the Marks. You agree that your use of the Marks and any goodwill established thereby inure to the exclusive benefit of HuHot, and you acknowledge that the Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. You may not at any time during the term of the Franchise Agreement, or after its termination or expiration, contest the validity of ownership of any of the marks or assist any others in contesting the validity or ownership of any of the Marks.

You must use the Marks as the sole identification of the Restaurant, but you must identify yourself as the independent owner in the manner prescribed by us. You may not use any mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, nicknames, terms, designs or symbols, or in any modified form (including, without limitation, any local or

special adaptations or artistic variations of any of the Marks), nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. We have obtained the rights to the domain name "HuHot.com." You agree not to register the Marks on the Internet or any other computer on-line service, and you must obtain our prior written approval before your use of the Marks on the Internet or on-line service. You must display the Marks prominently and in the manner prescribed by us on signs, forms, and other materials and articles. Further, you must give notices of trademark or service mark ownership or registration and copyrights as we specify and to obtain fictitious or assumed name registrations as may be required under applicable law. Any and all uses of the Marks will be subject to our prior written approval, and a request for approval will include information and samples as we may require. You may not use the name "HuHot Mongolian Grill," "HuHot" or a derivative thereof in your corporate or other formal name.

Under the Franchise Agreement you must notify us immediately in writing of any apparent infringement of or challenge to your use of any of the Marks, or claim by any person other than HuHot or its affiliates or franchisees of any rights in any of the Marks or any similar trade name, trademark or service mark of which you become aware. You may not communicate with any person other than HuHot and its counsel in connection with an infringement challenge or claim. We have sole discretion to take whatever action we deem appropriate and the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You further agree under the Franchise Agreement to sign any and all instruments and documents, render assistance and do whatever may be necessary or advisable to protect and maintain the interests of HuHot in any litigation, USPTO proceeding or other administrative proceedings or otherwise to protect and maintain the interests of HuHot in the Marks.

We will indemnify you against and reimburse you for all direct, but not consequential (including loss of revenue and/or profits), damages for which you are held liable in any proceedings arising out of the use of any Mark in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any claim brought against it or in any proceeding in which you are named as a party, provided that you have duly notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement.

The remainder of this page is left blank intentionally.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Except as noted below, we do not own any rights in or to any patents or copyrights which are material to the Franchise. We claim copyrights in its Operations Manual and any other manuals we furnish (currently in progress is our Development Manual), and related materials used in the operation of the Franchise. Our copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the copyright laws of the United States by virtue of HuHot and its affiliates placing the appropriate notice of copyright on these items. You may use the Manuals and materials during the term of your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials. Furthermore, there are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state where the Franchise is to be located. We are not obligated under any agreement to protect our copyrights or to defend you against claims arising out of the use of copyrighted items.

To preserve and enhance the reputation and goodwill associated with our Marks, and to maintain uniform standards of operation for franchisees, you must operate the Franchise in full compliance with the Operations Manual and Development Manual, as amended. You also understand that the Manuals and other training and operational aids contain certain proprietary and confidential information and remain our property. There will be no duplication or any disclosure of the proprietary and confidential information, except to your employees on a need-to-know basis, and you must take all reasonable precautions we prescribe to prevent unauthorized use or disclosure of our proprietary information. You must keep copies of the Manuals current by inserting the updates we furnish on an ongoing basis, and, in the event of any dispute as to Manuals' contents, our master copy shall control.

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Item 15
**OBLIGATION OF FRANCHISEE TO PARTICIPATE
IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We require Franchisees and Area Developers to be a legal entity (corporation, limited liability company, or partnership), referred to as "Entity."

Unit Franchise Agreement (both Traditional and Express)

We require that at least one of the owners of the Entity supervise the overall operation of your franchised business, but not necessarily personally manage or directly supervise the Restaurant. The Restaurant must be directly supervised "on-premises" by a manager who has completed our training program and who has significant restaurant experience. The on-premises manager may not have an interest in or business relationship with any of our business competitors. The manager need not have an ownership interest in the Franchise or in a corporate or partnership franchisee. The manager must sign a Confidentiality and Non-Competition Agreement (attached as Exhibit C) to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17. If the direct supervisor of the Restaurant does not have an ownership interest in Franchisee or the Restaurant, someone with an ownership interest must complete our owner's training program that incorporates portions of our initial training program.

Area Development Agreement

~~_____ We do not require you to exert your full-time efforts to your obligations under the Area Development Agreement. You Personal Guaranty~~

~~must supervise the development and operations of HuHot Restaurants franchised under the Area Development Agreement, but need not be engaged in the day-to-day operations of any specific Restaurant.~~

Franchisee must furnish us a certification, signed by an authorized officer of the Franchisee entity, attesting to the identity of all the equity owners of the Franchisee entity. The certification must be revised as necessary to reflect any changes in the ownership of the Franchisee entity.

Personal Guaranty

All persons who own an equity interest in the Entity that is the Franchisee ~~or the Area Developer~~ must sign the Guaranty and Assumption of Obligations attached as Rider C to the Franchise Agreement.

_____ If your spouse is involved in the franchised business, then the spouse of Franchisee, or if

Franchisee of a legal entity, the spouse of any owner, must execute the Guaranty and Assumption of Obligations attached as Rider C to the Franchise Agreement, as if each spouse were an original party to this Agreement in his or her individual capacity. Franchisor shall make the final determination whether a spouse of Franchisee or of an owner of Franchisee must sign the Guaranty and Exhibit C to the Area Development Agreement. Assumption of Obligations.

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Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are not permitted to sell, distribute or use any products or other items not approved by us for the uniform operation of all HuHot Restaurants, and your premises may not be used for any business purpose other than the operation of the Restaurant as authorized by us, except as we permit in writing. You must sell all goods and services we authorize. We have the right to add additional authorized services and products that you must offer. There are no limits on our rights to make product or service changes.

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Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Unit Franchise Agreement (both Traditional and Express)

Provision	Provision in Franchise Agreement	Summary
a. Length of the franchise term	Paragraph 2.a	15 years.
b. Renewal or extension of the term	Paragraph 2.b	If you are in good standing, you can acquire a successor franchise for successive 5 year terms on the then-current terms
c. Requirements for Franchisee to renew or extend	Paragraph 2.b	Maintain premises or secure substitute premises, remodel, sign new agreement and other documents and sign release, and upgrade to then-current standards of décor, equipment, and product offerings. The renewal agreement may contain materially different terms and conditions than your original contract, but the royalty fee will not be greater than the royalty fee that we then impose on similarly-situated renewing franchisees
d. Termination by Franchisee	Section 15	Breach by us, you in compliance
e. Termination by Franchisor without cause	None in Franchise Agreement	We cannot terminate your Franchise Agreement without cause
f. Termination by Franchisor with cause	Section 16	We can terminate only if you commit any 1 of several listed violations
g. "Cause" defined – curable defaults	Section 16.b	You have 10 days for monetary defaults, and 30 days for all defaults not listed in Paragraph 16.a.

Provision	Provision in Franchise Agreement	Summary
h. "Cause" defined non-curable defaults	Section 16.a	You have no right to cure the following defaults for which your franchise may be immediately terminated: Failure to open Restaurant within 16 months of agreement; failure to complete initial training, abandonment; conviction of felony; unauthorized transfers; unauthorized use or disclosure of confidential information or Operations Manual; unauthorized use of Marks, creation of a threat to public health or safety; repeated defaults (even if cured); unapproved transfer upon your death or permanent incapacity; failure to comply with covenants in Paragraph 9.f; termination of other agreement between HuHot and you.
i. Franchisee's obligations on termination/non-renewal	Section 17	Pay outstanding amounts, complete de-identification, return confidential information, covenant not to compete, continuing obligations, HuHot's option to purchase.
j. Assignment of contract by Franchisor	Paragraph 14.a	No restrictions on our right to assign
k. "Transfer" by Franchisee – definition	Paragraph 14.b	Includes transfer of any interest in Franchise Agreement, assets or ownership change in your corporation, partnership or limited liability company
l. Franchisor's approval of transfer by Franchisee	Paragraph 14.b	We have right to approve all transfers, but will not unreasonably withhold consent.
m. Conditions for Franchisor's approval of transfer	Paragraph 14.b	Transferee qualifies, all obligations assumed by transferee, all amounts due us are paid, transferee completes training, transfer fee paid, general release signed, you must guarantee performance and obligations of transferee at our election, transferee signs, at our sole discretion, either: (a) our assignment and assumption agreement or (b) our then-current franchise agreement, which may contain materially different terms than your Franchise Agreement
n. Franchisor's right of first refusal to acquire Franchisee's business	Paragraph 14.e	We can match any offer for your business or an ownership interest in you
o. Franchisor's option to purchase Franchisee's business	Paragraph 17.f	We can purchase tangible assets, assignment of all licenses and permits, on termination or expiration for the formula price described in the Franchise Agreement

Provision	Provision in Franchise Agreement	Summary
p. Death or disability of Franchisee	Paragraph 14.c	Franchise or ownership interest in you must be assigned to approved buyer within 6 months
q. Non-competition covenants during the term of the franchise	Paragraph 9.f	No involvement in competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 17.d	No competing business for 2 years within 50 miles of your Restaurant or within 10 miles of any other HuHot Restaurant (same restrictions after assignment)
s. Modification of the agreement	Paragraph 19.b and 19.i	No modifications generally, but Operations Manual, and standards and specifications subject to change
t. Integration/merger clause	Paragraph 19.j	Only the terms of the Franchise Agreement and other related agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Paragraph 19.1	In accordance with the commercial arbitration rules of the American Arbitration Association in Missoula, Montana
v. Choice of forum	Paragraph 19.e	Litigation must be in Montana (subject to state law; see Exhibit J, State Addendum)
w. Choice of law	Paragraph 19.e	Governed by Montana law except when U.S. Trademark Act or other federal law governs, subject to state law, see Exhibit J, State Addendum

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Area Development Agreement

Provision	Provision in Area Development Agreement	Summary
a. Length of the Area Development Agreement term	Paragraph 3.a	Length of Development Period, varies
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for Franchisee to renew or extend	Not applicable	Not applicable
d. Termination by Franchisee	7.A.	Breach by us, you in compliance
e. Termination by Franchisor without cause	Not applicable	We cannot terminate your Area Development Agreement without cause
f. Termination by Franchisor with cause	Section 8	We can terminate only if you commit any 1 of several listed violations
g. "Cause" defined—curable defaults	Section 8	You have 10 days for monetary defaults, and 30 days for all defaults not listed in Paragraph 8.
h. "Cause" defined—non-curable defaults	Section 8	You have no right to cure the following defaults for which your franchise may be immediately terminated: Breach of Franchise Agreement; failure to meet Minimum Development Quota
i. Franchisee's obligations on termination/non-renewal	Section 9	Loss of Rights to open multiple Restaurants, loss of exclusive territory
j. Assignment of contract by Franchisor	7.A. (Section 14 of Franchise Agreement)	No restrictions on our right to assign
k. "Transfer" by Franchisee—definition	7.A. (Section 14 of Franchise Agreement)	Includes transfer of any interest in Area Development Agreement, assets or ownership change in your corporation, partnership or limited liability company
l. Franchisor's approval of transfer by Franchisee	7.A. (Section 14 of Franchise Agreement)	We have right to approve all transfers, but will not unreasonably withhold consent.

Provision	Provision in Area Development Agreement	Summary
m. Conditions for Franchisor's approval of transfer	7.A. (Section 14 of Franchise Agreement)	Transferee qualifies, all obligations assumed by transferee, all amounts due us are paid, transferee completes training, transfer fee paid, general release signed, you must guarantee performance and obligations of transferee at our election, transferee signs, at our sole discretion, either: (a) our assignment and assumption agreement or (b) our then-current area development agreement, which may contain materially different terms than your Area Development Agreement
n. Franchisor's right of first refusal to acquire Franchisee's business	7.A. (Section 14.e. of Franchise Agreement)	We can match any offer for your business or an ownership interest in you
o. Franchisor's option to purchase Franchisee's business	7.a. (Section 17.f. of Franchise Agreement)	We can purchase tangible assets, assignment of all licenses and permits, on termination or expiration for the formula price described in the Area Development Agreement
p. Death or disability of Franchisee	7.A. (Section 14.e. of Franchise Agreement)	Development rights or ownership interest in you must be assigned to approved buyer within 6 months
q. Non-competition covenants during the term of the franchise	Not applicable	Covered in Franchise Agreement
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 9.C.	No competing business for 2 years within Exclusive Area
s. Modification of the agreement	7.A.	No modifications generally, but Operations Manual, and standards and specifications subject to change
t. Integration/merger clause	7.A.	Only the terms of the Area Development Agreement are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	7.A.	In accordance with the commercial arbitration rules of the American Arbitration Association in Missoula, Montana
v. Choice of forum	7.A.	Litigation must be in Montana (subject to state law; see Exhibit J, State Addendum)
w. Choice of law	7.A.	Governed by Montana law except when U.S. Trademark Act or other federal law governs, subject to state law, see Exhibit J, State Addendum

Preliminary Agreement

Provision	Provision in Preliminary Agreement	Summary
a. Length of the Preliminary Agreement term	Paragraph 3	90 days
b. Renewal or extension	Not applicable	Not applicable
c. Termination by Franchisee	Paragraph 8	You may withdraw your application for a franchise during term of agreement; refundability of the deposit depends on when you withdraw your application
d. Termination by Franchisor	Paragraph 9	If you fail to select a site we approve and/or you fail to sign a Franchise Agreement within 90 of date of Preliminary Agreement, we may terminate the agreement
e. Assignment by Franchisee	Paragraph 11	You may not assign agreement

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following represents the actual sales, expenses and net income for ~~2016~~²⁰¹⁵ for the company-owned HuHot Mongolian Grill Restaurant, operated in ~~Ashwaubenon~~ (~~Green Bay~~^{Middleton} (Madison), Wisconsin. The owner is Mongolian Grill Restaurants Operating Company, LLC, a fully-owned subsidiary of MGR, of which the Franchisor is also a fully-owned subsidiary. Based on that relationship, we consider the ~~Green Bay~~^{Madison} restaurant to be company-owned. The revenues and expenses are actual numbers from this store, but we did not include interest, depreciation, amortization, income taxes, debt service, and owner's draw. In addition, you will incur expenses that company-owned Restaurants do not incur. We are not saying that you can expect to achieve these sales or profits in your first year, or at any time. Your revenues and expenses will vary significantly depending on a number of factors, including the location of your store and how you operate your business.

The HuHot Mongolian Grill Restaurant in ~~Green Bay~~^{Madison}, Wisconsin, for which the financial performance representations are provided, is substantially identical to the HuHot Restaurant concept being offered to you. The restaurant for which financial performance representations are being furnished is located in a ~~big box~~^{small} strip center in the ~~Village~~^{City} of ~~Ashwaubenon~~^{Middleton}, Wisconsin (part of the ~~Green Bay~~^{Madison}, Wisconsin Metropolitan Statistical Area). The ~~Green Bay~~^{Madison} Metropolitan Statistical Area, as defined by the U.S. Office of Management and Budget, has an estimated population of approximately ~~306~~⁵⁶⁹,000 people. The HuHot Mongolian Grill Restaurant is approximately ~~5,800~~⁵⁰⁰ square feet in area with seating for ~~185~~¹⁷⁵ customers, and has the same menu items that we require you to offer. The restaurant opened in ~~2007~~²⁰⁰⁸, so these figures are from its 8th full calendar year of

operations: This location was selected for disclosure because of our company-owned locations it has sales closest to our system average sales (including affiliate-owned and franchisee-owned).

<u>Gross Revenue</u>	
Meals	\$1,265,049
Appetizers	45,363
Desserts	19,366
Soft Beverages	153,046
Alcoholic Beverages	41,298
<u>Total Gross Revenue</u>	<u>1,524,122</u>
<u>Cost of Goods Sold</u>	
Meals	329,690
Appetizers	11,448
Desserts	9,131
Soft Beverages	32,391
Alcoholic Beverages	12,731
<u>Total CGS</u>	<u>395,391</u>
<u>Gross Profit</u>	<u>1,128,731</u>
<u>Expenses – Personnel</u>	
Management Salaries	113,272
Hourly Labor	250,728
Cleaning Services	1,124
Payroll Taxes & Insurance	77,674
Employee Benefits	7,473
<u>Total Personnel</u>	<u>450,271</u>
<u>Expenses – Operating</u>	
Smallwares	9,375
Paper	21,126
Cleaning Supplies	16,781
Towels & Laundry	9,222
Telephone	2,766
Online Services	6,052
Utilities	51,171
Uniforms	3,097

Expenses – Advertising

<u>Radio & TV</u>	<u>0</u>
<u>Online</u>	<u>3,611</u>
<u>Printed Media</u>	<u>4,252</u>
<u>Direct Mail</u>	<u>4,646</u>
<u>HuHot Marketing Fund</u>	<u>7,620</u>
<u>Misc</u>	<u>2,775</u>
<u>Adjust to 3% Requirement^b</u>	<u>22,819</u>
<u>Total Advertising Expenses</u>	<u>45,723</u>

Expenses – Occupancy

<u>Space Rental</u>	<u>134,787</u>
<u>NNN</u>	<u>43,902</u>
<u>Total Occupancy Expenses</u>	<u>178,689</u>

Net Income

	<u>\$175,350</u>
<u>Maint. & Repair – Bldg. & Equip</u>	<u>31,359</u>
<u>HuHot Royalty Fee</u>	<u>76,206</u>
<u>Taxes & Licenses</u>	<u>7,426</u>
<u>Liability Insurance</u>	<u>5,510</u>
<u>Bank Charges</u>	<u>28,715</u>
<u>Training</u>	<u>1,217</u>
<u>Shipping</u>	<u>1,327</u>
<u>Misc</u>	<u>3,340</u>
<u>Total Operating Expenses</u>	<u>274,690</u>

Meals	\$1,705,728
Appetizers	76,392
Desserts	26,468
Soft Beverages	228,352

	Alcoholic Beverages	<u>51,559</u>
	— Total Gross Revenue	2,088,499
Cost of Goods Sold		
	Meals	459,560
	Appetizers	12,882
	Desserts	9,412
	Soft Beverages	45,806
	Alcoholic Beverages	<u>15,862</u>
	— Total CGS	543,522
Gross Profit		1,544,977
Expenses—Personnel		
	Management Salaries	129,211
	Hourly Labor	272,577
	Cleaning Services	783
	Payroll Taxes & Insurance	97,192
	— Total Personnel	499,763
Expenses—Operating		
	Smallwares	9,631
	Operating Supplies	1,056
	Paper	21,612
	Cleaning Supplies	26,308
	Towels & Laundry	9,048
	Telephone	4,697
	TV/Cable/Music	1,755
	Utilities	63,502
	Uniforms	3,455
	Maint. & Repair—Bldg. & Equip	49,286
	HuHot Royalty Fee	104,425
	Taxes & Licenses	7,124
	Liability Insurance	1,839
	Bank Charges	31,572
	Misc	<u>15,183</u>
	— Total Operating Expenses	350,493
Expenses—Advertising		
	Radio & TV	0
	Online	10,733
	Printed Media	4,890
	Direct Mail	3,970
	HuHot Marketing Fund	10,438
	Misc	3,918

	Adjust to 3% Requirement ^b	<u>28,706</u>
	—Total Advertising Expenses	<u>62,655</u>
Expenses — Occupancy		
	Space Rental	125,128
	NNN	<u>25,067</u>
	—Total Occupancy Expenses	<u>150,195</u>
Net Income		\$481,871

^a Company-owned Restaurants do not necessarily pay the same royalty fees that franchisees pay. This ~~Green Bay Madison~~ Restaurant pays 4% royalty, but we are showing the royalty at 5%, since that is the percentage new franchisees pay.

^b This ~~Green Bay Madison~~ Restaurant actually spent less than 3% on marketing, but we adjusted the marketing expense to equal 3%, which is what new franchisees are required to spend.

The following material assumptions and bases for the un-audited sales information and food and labor cost percentages apply to the information for the ~~Green Bay Madison~~, Wisconsin location only:

1. The “gross revenues” reported above correspond to the definition of “gross revenues” in the HuHot Mongolian Grills, L.L.C. Franchise Agreement attached to this franchise disclosure document. “Gross revenues” does not include sales taxes, customer refunds or promotional rebates paid or given by HuHot Mongolian Grill.

2. Costs of Goods Sold figures include sales taxes and shipping, of all food, ingredients, soft and alcoholic beverages, paper goods and logo-ed items as t-shirts and caps and other items sold at retail in the restaurant.

3. The Net Income reported above is only related to restaurant level activities. Mongolian Grill Restaurant Operating Company, LLC incurs office salaries for employees performing supervisory, bookkeeping and other administrative functions for the HuHot Mongolian Grill Restaurants. The labor costs associated with these employees are not included in the costs from which the labor cost percentage is calculated for HuHot Mongolian Grill. In your HuHot franchised Restaurant, those functions could be performed by you, a manager or outside accounting or bookkeeping service. If these functions are not performed by you or by someone else whose salary is already included in your expenses, you will incur additional costs to have these function performed.

4. Mongolian Grill Restaurant Operating Company, LLC also owns ~~8~~¹¹ other HuHot Mongolian Grill restaurants located in Wisconsin, Colorado, Montana, Indiana and Utah. ~~One of them was not open for the entire year 2015.~~

5. Of the ~~811~~ company-owned Restaurants open for the entire year of ~~2016~~, ~~4~~, ~~2015~~, ~~2~~, ~~1421~~ or ~~2536~~% attained the Total Gross Revenues of ~~\$2,088,499~~1,524,122 for ~~Green Bay~~Madison in ~~2016~~2015. Of the ~~811~~ company-owned Restaurants, ~~25~~, or ~~2545~~% attained ~~Green Bay's~~Madison's Gross Profit of ~~\$1,544,977~~128,731 in ~~2016~~2015. Of the ~~811~~ company-owned Restaurants ~~25~~, or ~~2545~~% attained ~~Green Bay's~~Madison's Net Income of ~~\$481,871~~175,350 in ~~2016~~2015.

6. Of the ~~408~~ affiliate-owned Restaurants open for the entire year of ~~2016~~, ~~2~~, ~~2015~~, ~~11431~~, or ~~4025~~% attained the Total Gross Revenues of ~~\$2,088,499~~1,524,122 in ~~2016~~2015. We do not have the Gross Profit or Net Income figures for affiliate-owned Restaurants.

7. Of the ~~3738~~ franchisee-owned Restaurants, ~~11144~~ open for the entire year of ~~2016~~, ~~21~~, or ~~3055~~% attained the Total Gross Revenues of ~~\$2,088,499~~1,524,122 in ~~2016~~2015. We do not have the Gross Profit or Net Income figures for franchisee-owned Restaurants.

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On this page are the ranges of actual gross revenues in ~~2016-2015~~ of ~~3738~~ franchised and ~~1819~~ affiliate-owned HuHot Restaurants. HuHot Restaurants that were not open for all of ~~2016-2015~~ are not included in this data.

Ranges of Annual Gross Revenues, Number and Percentages of Restaurants Attaining Range, and Average Annual Gross Revenues in ~~2016-2015~~ of 5557 HuHot Restaurants (3738 Franchised and 1819 Affiliate-Owned)

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
<u>Annual Gross Revenues</u>	<u># Franchisees Within Range</u>	<u># of Franchised Units Attaining Range</u>	<u>% of Franchised Units Attaining Range</u>	<u># Affiliate-Owned Units within Range</u>	<u># of Affiliate- owned Units Attaining Range</u>	<u>% of Affiliate- owned Units Attaining Range</u>
\$3,000,000 and over	2	2	5%	0	0	0
\$2,500,000 - 2,999,999	53	75	4913%	40	40	6%0
\$2,000,000 – 2,500,000	67	4312	3532%	2	3	4711%
\$1,500,000 – 1,999,999	89	21	5755%	56	8	4442%
\$1,000,000 - 1,499,999	4213	3334	89%	89	4617	8889%
\$500,000 – 999,999	4	3738	100%	2	4819	100%
Total Units	3738			18		
Average Sales	\$1,791,957¹ <u>\$729,338</u>	16 attained average	4342% attained average	\$1,630,437² <u>\$456,380</u>	610 attained average	3353% attained average
Median Sales	\$1,575,228³	19 attained median	50% attained median	\$1,460,044⁴	10 attained median	53% attained median

¹ Average Gross Revenues of the ~~3738~~ franchised stores open all of ~~2016-2015~~.

² Average Gross Revenues of the ~~4819~~ affiliate-owned stores open all of ~~2016~~.

³ Median Gross Revenues of the ~~38~~ franchised stores open all of ~~2016~~.

⁴ Median Gross Revenues of the 19 affiliate-owned stores open all of ~~2016-2015~~.

Columns 2, 3, and 4 disclose franchisee-owned restaurants; Columns 5, 6 and 7 disclose affiliate-owned restaurants

Annual Gross Revenues based on the 12 month data through December 31, ~~2016-2015~~. All of these HuHot restaurants offer substantially the same products and services as will be offered from future franchised restaurants. Other than the ownership of the restaurants, there were no material differences in the franchised outlets from the affiliate-owned outlets.

Company-owned and affiliate-owned restaurants do not necessarily pay the same royalty fees that franchisees pay.

Material Bases and Assumptions

The Restaurants represented in the Gross Revenues Table above are substantially similar to the concept being offered to you.

The Gross Revenues are NOT net of costs of goods sold or other operating expenses. We have not provided information regarding costs and expenses because we do not regularly collect that data from franchisees and do not operate enough company-owned restaurants from which we could present reliable figures.

The Gross Revenue figures in this Item 19 do not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenues figures to obtain your net income or profit. You will incur at least the following expenses, and possibly more: inventory, labor, occupancy costs, pre-opening expenses, depreciation and amortization, taxes, insurance, operating expenses, royalty fees to us, advertising fees to us, other fees to us in the Franchise Agreement, professional fees, bank charges, telephone, repairs. All of your expenses will affect the operating profit, net income and/or cash flow of your HuHot Restaurant and should be carefully considered and evaluated.

These Financial Performance Representation figures do not reflect the actual Gross Revenues that you may experience. In addition, your results will vary depending on a number of factors which you should consider carefully in evaluating this information and in making any decision to purchase a franchise. These factors include: business skills, motivation and effort of the individual franchisee and of the franchisee's staff and management; location of your restaurant; market conditions; competition; income and demographic characteristics of a particular market area (including age, demographics, population density and population turnover); expense variables in a particular market; e.g., rent, advertising expense, insurance, and labor cost; level of debt and the terms of debt obligations; the degree and quality of competition in a particular market area; number of years of operation; as well as conditions generally prevailing in the local and national economy. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Prospective franchisees or sellers of franchises should be advised that no Certified Public Accountant has audited these figures or expressed his/her opinion with regard to their content of form. The amounts have not been audited or reviewed for reasonableness by independent auditors.

The results shown by the Affiliate-owned Restaurants may be positively influenced as a result of the owners' experience.

Restaurants for which financial performance representations are disclosed in this Item 19 may not have necessarily been profitable.

Written substantiation of the data we used in preparing this statement will be made available upon reasonable request.

Other than the preceding financial performance representation, HuHot Mongolian Grills, L.L.C. does not make any financial performance representations. 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 Linda Vap, 223 East Main St., Missoula, Montana 59802, telephone: (406) 251-4303, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20

OUTLETS AND FRANCHISEE INFORMATION

Tables 1 through 4 include Traditional Unit and Express Unit franchises. As of the date of this disclosure document, there is-are no Express Unit franchises in operation. The figures in Tables 1 – 4 are as of December 31 for each year.

Table No. 1.

**Systemwide Outlet Summary
For years ~~2013~~2014 to ~~2016~~2015**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2014 2013	31 37	37	+60
	2015 2014	37	37 38	0 +1
	2015 2016	37 38	38	+10
Company/Affiliate- Owned	2014 2013	15 17	17 19	+2
	2015 2014	17 19	19	+20
	2015 2016	19	19 21	0 +2
Total Outlets	2014 2013	46 54	54 56	+8 2
	2015 2014	54 56	56 57	— +2+1
	2015 2016	56 57	57 59	+12

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor of
Affiliates)
For years ~~2013~~2014 to ~~2015~~2016**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Totals	2014 2013	0
	2015 2014	0
	2015 2016	0*

*There was 1 franchisee, who is listed on Exhibit E-3, which was acquired by a holding company in early 2016.

Table No. 3

Status Franchised Outlets
For years 20132014 to 20152016

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arkansas	<u>2014</u> 2013	1	0	0	0	0	0 <u>1</u>	1 <u>0</u>
	<u>2015</u> 2014	1 <u>0</u>	0	0	0	0	1 <u>0</u>	0
	<u>2015</u> 2016	0	0	0	0	0	0	0
Indiana	<u>2014</u> 2013	0	0	0	0	0	0	0
	<u>2015</u> 2014	0	0	0	0	0	0	0
	<u>2015</u> 2016	0	0	0	0	0	0	0
Iowa	<u>2014</u> 2013	8 <u>9</u>	1 <u>0</u>	0	0	0	0	9
	<u>2015</u> 2014	9	0 <u>1</u>	0	0	0	0	9 <u>10</u>
	<u>2015</u> 2016	9 <u>10</u>	1 <u>0</u>	0	0	0	0	10
Kansas	<u>2014</u> 2013	3	0	0	0	0	0	3
	<u>2015</u> 2014	3	0	0	0	0	0	3
	<u>2015</u> 2016	3	0	0	0	0	0	3
Minnesota	<u>2014</u> 2013	1	0	0	0	0	0	1
	<u>2015</u> 2014	1	0	0	0	0	0	1
	<u>2015</u>	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	<u>2016</u>							
Missouri	<u>2014</u> <u>2013</u>	<u>34</u>	<u>40</u>	0	0	0	0	4
	<u>2015</u> <u>2014</u>	4	0	0	0	0	0	4
	<u>2015</u> <u>2016</u>	4	0	0	0	0	0	4
Montana	<u>2014</u> <u>2013</u>	1	0	0	0	0	0	1
	<u>2015</u> <u>2014</u>	1	0	0	0	0	0	1
	<u>2015</u> <u>2016</u>	1	0	0	0	0	0	1
Nebraska	<u>2014</u> <u>2013</u>	<u>45</u>	<u>40</u>	0	0	0	0	5
	<u>2015</u> <u>2014</u>	5	0	0	0	0	0	5
	<u>2015</u> <u>2016</u>	5	0	0	0	0	0	5
North Carolina	<u>2014</u> <u>2013</u>	1	0	0	0	0	<u>01</u>	<u>40</u>
	<u>2015</u> <u>2014</u>	<u>40</u>	0	0	0	0	<u>40</u>	0
	<u>2015</u> <u>2016</u>	0	0	0	0	0	0	0
North Dakota	<u>2014</u> <u>2013</u>	2	<u>01</u>	0	0	0	0	<u>23</u>
	<u>2015</u> <u>2014</u>	<u>23</u>	<u>40</u>	0	0	0	0	3
	<u>2015</u> <u>2016</u>	3	0	0	0	0	0	3
Oklahoma	<u>2014</u> <u>2013</u>	2	0	0	0	0	0	2
	<u>2015</u> <u>2014</u>	2	0	0	0	0	0	2
	<u>2015</u> <u>2016</u>	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
South Carolina	2014 2013	1	0 <u>1</u>	0	0	0	0	1 <u>2</u>
	2015 2014	1 <u>2</u>	0 <u>0</u>	0	0	0	0	2
	2015 2016	2	0	0	0	0	0	2
South Dakota	2014 2013	2 <u>3</u>	0 <u>0</u>	0	0	0	0	3
	2015 2014	3	0	0	0	0	0	3
	2015 2016	3	0	0	0	0	0	3
Texas	2014 2013	1	0	0	0	0	0	1
	2015 2014	1	0	0	0	0	0	1
	2015 2016	1	0	0	0	0	0	1
Utah	2014 2013	0 <u>1</u>	0 <u>0</u>	0	0	0	0	1
	2015 2014	1	0	0	0	0	0	1
	2015 2016	1	0	0	0	0	0	1
Wisconsin	2014 2013	1 <u>2</u>	1 <u>0</u>	0	0	0	0	2
	2015 2014	2	0	0	0	0	0	2
	2015 2016	2	0	0	0	0	0	2
Totals	2014 2013	3 <u>4</u> <u>37</u>	6 <u>**2</u>	0	0	0	0 <u>2</u>	37
	2015 2014	37	2 <u>1</u>	0	0	0	2 <u>0</u>	37 <u>38</u>
	2015 2016	37 <u>38</u>	4 <u>0</u>	0	0	0	0	38

* Purchased from Affiliate

** 5 opened locations and 1 purchased from franchisor by franchisee.

Table No. 4
Status of Company/Affiliate-Owned Outlets
For years 20132014 to 20152016

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Colorado	<u>2014</u> <u>2013</u>	<u>56</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67</u>
	<u>2015</u> <u>2014</u>	<u>67</u>	<u>40</u>	<u>0</u>	<u>01</u>	<u>0</u>	<u>76</u>
	<u>2015</u> <u>2016</u>	<u>76</u>	<u>01</u>	<u>0</u>	<u>40</u>	<u>0</u>	<u>67</u>
Indiana	<u>2014</u> <u>2013</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2014</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Montana	<u>2014</u> <u>2013</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2014</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Utah	<u>2014</u> <u>2013</u>	<u>02</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2014</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2015</u> <u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Washington	<u>2014</u> <u>2013</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2015</u> <u>2014</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2015</u> <u>2016</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Wisconsin	<u>2013</u> <u>2014</u>	<u>54</u>	<u>01</u>	<u>0</u>	<u>0</u>	<u>40</u>	<u>45</u>
	<u>2015</u> <u>2014</u>	<u>45</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56</u>
	<u>2015</u> <u>2016</u>	<u>56</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67</u>
Totals	<u>2013</u> <u>2014</u>	<u>45</u> <u>17</u>	<u>32</u>	<u>0</u>	<u>0</u>	<u>4*0</u>	<u>47</u> <u>19</u>
	<u>2015</u> <u>2014</u>	<u>47</u> <u>19</u>	<u>21</u>	<u>0</u>	<u>01</u>	<u>0</u>	<u>—</u> <u>19</u>
	<u>2015</u> <u>2016</u>	<u>19</u>	<u>42</u>	<u>0</u>	<u>40</u>	<u>0</u>	<u>49</u> <u>21</u>

* Purchased from Affiliate

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Table 5

Projected Openings For One-Year Period as of January 1, 2016-2017
Traditional Unit Franchises

STATE	FRANCHISE AGREEMENTS SIGNED BUT FRANCHISE BUSINESS NOT OPEN	PROJECTED FRANCHISED NEW FRANCHISE BUSINESSES IN THE NEXT YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT YEAR
Arkansas			
Arizona		<u>1</u>	
Colorado			<u>4</u>
Indiana			
Iowa			
Kansas		<u>4</u>	
Minnesota		<u>1</u>	
Missouri		<u>4</u>	
Nebraska			
New Jersey			
North Carolina			
Ohio			
Oklahoma			
South Carolina			
South Dakota			
Utah			
Virginia			
Washington			<u>1</u>
Wisconsin	<u>1</u>	<u>4</u>	<u>21</u>
TOTAL	<u>1</u>	<u>42</u>	<u>32</u>

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Table 5

Projected Openings For One-Year Period as of January 1, 20162017

Express Unit Franchises

STATE	FRANCHISE AGREEMENTS SIGNED BUT FRANCHISE BUSINESS NOT OPEN	PROJECTED FRANCHISED NEW FRANCHISE BUSINESSES IN THE NEXT YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT YEAR
ALL STATES AND TOTAL	0	0	0

Exhibits E-1 and E-2 list all the franchised outlets (38) and affiliate-owned outlets (19) as of December 31, 20152016.

Exhibit E-3 lists all franchisees (0) who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document. There was 1 franchisee, who is listed on Exhibit E-3, who transferred ownership of all its outlets which was acquired by a holding company in early 2016. That franchisee and all its HuHot Restaurants came under new ownership, although 2 of the owners of the acquired company continue to be actively involved in the operation and management of the restaurants. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the last 3 fiscal years, we have signed some Addenda with Franchisees requiring that the terms of the Addenda remain confidential. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with HuHot Mongolian Grills, L.L.C. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Disclosure Document.

Item 21
FINANCIAL STATEMENTS

Attached as Exhibit D are the audited Financial Statements of HuHot as of December 25, 2016, December 27, 2015, December 28, 2014, and December 29, 2013~~28, 2014~~. The Franchisor's fiscal year end is the Sunday nearest December 31.

Item 22
CONTRACTS

Attached as Exhibit A to this Franchise Disclosure Document is the Franchise Agreement you will sign.

Attached as Exhibit K to this Franchise Disclosure Document is the ~~Area Development~~Preliminary Agreement you will sign.

~~Attached as Exhibit L to this Franchise Disclosure Document is the Preliminary Agreement you will sign.~~

Item 23
RECEIPT

You will find copies of a detachable receipt at the very end of this disclosure document.

The remainder of this page is left blank intentionally.

EXHIBIT A

FRANCHISE AGREEMENT

between

HUHOT MONGOLIAN GRILLS, LLC

AND

FRANCHISEE: _____

DATED: _____

LOCATION OF RESTAURANT: _____

A. This Franchise Agreement is for a (check one):

_____ Traditional Unit HuHot Restaurant

_____ Express Unit HuHot Restaurant

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Rider E (Participation Agreement with Coca Cola)

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**HUHOT MONGOLIAN GRILLS, L.L.C.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement") with effective date of _____
_____ (acceptance date by Franchisor), by and between HuHot Mongolian
Grills, LLC, a Montana limited liability company ("Franchisor," "We," "Our," or "Us"), whose
principal address is 223 East Main Street, Missoula, Montana 59802, and
_____, ("Franchisee" or "You"),
a _____ corporation or _____ limited liability, organized in the State of _____, with
principal address is _____

RECITALS:

A. We operate a franchise network to own and operate sit-down restaurants offering Asian-style cuisine cooked on a grill, using fresh meats, poultry, fish, seafood, vegetables, and home-made sauces, individually selected by the customer ("HuHot Restaurants"). These Restaurants will be operated under the service mark "HuHot Mongolian Grills," plus design, and such other trademarks, service marks and commercial symbols (collectively "Marks") as we will authorize from time to time. Such Restaurants will be operated in accordance with certain required formats, systems, methods of food preparation and service, standards and procedures, and trade dress, which we may modify from time to time ("System").

B. There are two (2) models of HuHot Restaurant: "Traditional" and "Express." A "Traditional Unit HuHot Restaurant" is a restaurant in a free-standing building, strip center or mall location, which we recommend to be approximately 4,000 to 6,500 square feet with seating capacity for 100 to 225 customers. An "Express Unit HuHot Restaurant" is a restaurant in a free-standing building, strip center or mall location, which we recommend to be approximately 2,000 to 2,500 square feet with seating capacity for 80 to 100 customers. Both the "Traditional" and the "Express" will have a full bar service or with beer and wine service from a service bar.

C. We grant to certain persons who meet our qualifications a franchise ("Franchise") to own and operate a HuHot Restaurant utilizing the Marks and System.

D. You have applied for a license to own and operate a HuHot Restaurant at the location described in Rider A to this Agreement. We have approved your application in reliance upon all of the representations made therein and in this Agreement. You represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining the Franchise herein granted.

1. **GRANT OF FRANCHISE.**

a. **Grant.** Subject to the provisions of this Agreement, we hereby grant to Franchisee a franchise ("Franchise") to operate a HuHot Restaurant in or at the following general location (when the exact location is determined, the parties will complete Riders A and B):

and to use the Marks and the System in the operation thereof. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise. You agree that for the entire term of this Agreement you will at all times fairly, honestly and diligently perform your obligations hereunder, and that you will continuously exert your best efforts to promote and enhance the business of the Restaurant and the goodwill of the Marks.

b. **Restrictions Upon Your Channels of Distribution.** You are restricted solely to the retail sale of products and services authorized to be sold under this Agreement. You are expressly prohibited from engaging in the wholesale distribution of products under this Agreement. The rights herein granted to you are specifically limited to the operation of business from the Restaurant location. You shall not solicit for business, promote the business, and/or offer and sell products sold under this Agreement through the use of a toll-free number, catalog, mail order, or the Internet or any other computer on-line service (except for online take-out service).

c. **Rights Reserved By Franchisor.** You further acknowledge that we and our affiliates have our own business interests that are not intended to be restricted by this Franchise Agreement. Except as expressly provided in this Franchise Agreement, we and our affiliates may pursue our own business interests without obligation to, and irrespective of, the impact of our actions upon you and your Franchised Business. These rights and actions include, but not by way of limitation, the following:

i. to operate, or to grant other persons the right to operate, Restaurants at locations, other than in your Protected Area, and on terms and conditions as we deem appropriate; and

ii. to sell the products and services authorized for HuHot Restaurants under the Marks through such similar and dissimilar channels of distribution (including retail or wholesale, through the Internet, by mail order or catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as HuHot deems appropriate ("alternative distribution channels"). You will receive no compensation for such sales by HuHot.

iii. to sell the products and services authorized for HuHot Restaurants under other trademarks, service marks and commercial symbols through such similar and dissimilar channels of distribution (including retail or wholesale, through the Internet, by mail order or catalog sales, telemarketing, or other direct marketing sales) and under such terms and conditions as HuHot deems appropriate ("alternative distribution channels"). You will receive no compensation for such sales by HuHot.

d. **Your Protected Area.** We agree that we will not establish and operate or grant a franchise for the establishment and operation of a HuHot Restaurant within the area designated in Rider B hereto ("Your Protected Area")

e. **Corporation, Limited Liability Company, or Partnership.** You, as a corporation, limited liability company, or general or limited partnership (collectively, an "Entity"), agree and represent that:

i. You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements, and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

ii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement's restrictions;

iii. Rider C to this Agreement completely and accurately describes all of Franchisee's owners and their interests in Franchisee as of the Effective Date;

iv. Each of Franchisee's owners during this Agreement's term will execute a guaranty in the form we prescribe (Rider C), undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and Franchisor. You and Franchisee's owners agree to sign and deliver to us revised Rider C to reflect any permitted changes in the information that Rider C now contains; and

v. The Restaurant and other Franchised Businesses, if applicable, will be the only businesses you operate (although Franchisee's owners may have other, non-competitive business interests).

2. **TERM AND GRANT OF A SUCCESSOR FRANCHISE.**

a. **Term.** The term of this Agreement (the "Term") shall commence on the date of this Agreement and expire fifteen (15) years from such date, unless sooner terminated as provided in Sections 15 and 16 hereof.

b. **Grant of a Successor Franchise.**

i. You may, at your option, acquire a grant of a successor franchise for additional successive five (5) year terms, unless sooner terminated as provided in Sections 15 and 16 hereof, provided that:

(1) You have given us written notice of your election to acquire a successor franchise not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term. An election by you to renew the lease or sublease for the premises of the Restaurant or to execute a new lease or sublease for such premises shall be deemed an election by you to acquire a successor franchise for the then-current term of such lease or sublease;

(2) You are not at such time in material breach of any of your obligations under this Agreement or any other agreement between Franchisee and Franchisor or any of its affiliates;

(3) You have substantially complied with all the terms and conditions of this Agreement and have met the operating and quality standards and procedures we prescribe for HuHot Restaurants during the Term;

(4) You have satisfied all monetary obligations owed to us, our affiliates and designated suppliers, and have timely met these obligations throughout the Term;

(5) You have agreed to upgrade the Restaurant to our then-current standards of decor, equipment, and menu offerings;

(6) You comply with our then-current qualification and training requirements; and

(7) You execute a general release, in a form prescribed by us, of any claim against Franchisor, its affiliates, and their officers, directors, agents and employees.

ii. The grant of a successor franchise shall be effectuated by the execution by Franchisor and Franchisee of the then-current form of standard franchise agreement and all other agreements and legal instruments and documents then customarily used by us in the granting of Franchises for HuHot Restaurants, which may contain substantially different provisions from this Agreement, except that no initial franchise fee shall be payable upon any such grant of a successor franchise.

iii. We may extend this Agreement's term for the time period necessary to either give you reasonable time to correct deficiencies or to give us adequate time to give notice to you of our refusal to grant a successor franchise as required under this Agreement or under applicable law. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

iv. If you do not execute a Successor Agreement after the expiration of the Initial Term, and you continue to accept the benefits of this Agreement after the expiration of the Initial Term, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our right; or (ii) continued on a month-to-month basis (the "Interim Term") until either party

provides the other party with written notice of such party's intention to terminate the Interim Term. In the latter case, all of your obligations shall remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Term.

3. LOCATION AND DEVELOPMENT OF RESTAURANT

a. Location and Lease.

i. You may operate the Restaurant only at the location specified in Paragraph 1.a and Rider A to this Agreement and may not relocate the Restaurant except with our prior written consent. If the site for the Restaurant has not been located by you at the time of execution of this Agreement, you agree to locate and submit to us for approval, a site suitable for the operation of a HuHot Restaurant and acceptable to us. You must locate the site for your Restaurant and submit a site report to us. We shall assist you in the selection and shall not unreasonably withhold our approval of a site that in our judgment is suitable in terms of demographic characteristics, traffic patterns, parking, character of neighborhood, competition from other businesses within the area, the proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the site. You must enter into a lease for your approved site within ten (10) months of the date of this Agreement.

ii. You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a Restaurant or any other purpose. Our recommendation indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the Franchise is based on your own independent investigation of the site's suitability for the Premises.

iii. You agree to furnish us a current tract search of the Premises, or a copy of the owner's title insurance policy, including schedule B exceptions, issued by a licensed title company, within fourteen (14) days of executing the lease.

b. Restaurant Development. You agree that prior to obtaining possession of the site for the Restaurant, you shall secure all financing required to fully develop the Restaurant. You further agree that, promptly after obtaining possession of the site for the Restaurant, you will: (a) use exterior rendering, trade dress and kitchen design drawings that you obtain from an approved architect; (b) cause to be prepared and submit for approval by us basic store plans and specifications, kitchen design and specifications and exterior design and specifications from suppliers that we designate. The cost of these design services will vary based on site conditions and

local code requirements. You are required to take these drawings and specifications to a local architect who will modify them, as required, to meet applicable ordinances, building codes or permit requirements (we must approve any such modifications to the drawings and specifications)]; (c) obtain all required zoning changes, all required building, utility, health, sanitation and sign permits, liquor licenses, and any other required permits and licenses; (d) purchase or lease equipment, fixtures, furniture and signs as hereinafter provided; (e) complete the construction and/or remodeling, equip, furnish and decorate the Restaurant in full and strict compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements; (f) obtain all customary contractors' sworn statements and partial and full waivers of lien for construction, remodeling, decorating and installation services; and (g) upon completion of construction, furnish us with costs for the construction, equipment, build-out, deposits, and total development of the Restaurant. Once the Restaurant is established and approved by us, no changes in the interior or exterior design of the Restaurant or the equipment or fixtures used within may be made without our prior written consent.

c. **Equipment, Fixtures, Furnishings and Signs.** You must obtain the following services from subcontractors we designate: murals for your Restaurant walls, decorative resin flooring, carpeting, cabinetry, furniture, fixtures and kitchen equipment. You agree to use in the operation of the Restaurant only those brands and models of other equipment, fixtures, furniture, point-of-sale computer system ("POS System"), exterior and interior signs, décor items and tableware that we have approved for use in HuHot Restaurants as meeting our requirements for performance, warranties, design and appearance. If you propose to purchase or lease any item of equipment, fixtures, furniture, POS System, signs, décor items or tableware not approved by us as meeting our specifications, you shall first notify us, and we may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether such items meet our specifications. We shall have the right to charge you a reasonable testing fee of not more than \$250 to cover our costs incurred in making such determination. We shall advise you within a reasonable time whether such item meets our specifications. In the event that we do not maintain a list of approved suppliers with respect to one or more items required by us for use in HuHot Restaurants, you may purchase or lease any such item from any source.

No vending machines, unapproved newspapers or periodicals, juke boxes or other music producing machines, gum or candy machines, games, pinball machines or other mechanical devices shall be installed or operated at the Restaurant without our prior written consent.

d. **Point of Purchase Software System ("POS System").** You shall purchase and use in your operation of the Restaurant the POS hardware and software specified by us. We shall have the right to contract with third parties to update the POS System from time to time. In such event, you shall be responsible for properly loading the updated programs onto your computer in a timely manner. Thereafter, you shall use the updated point of purchase software program in the operation of your Restaurant. Any such requirement to update the Restaurant's POS System shall be considered "Restaurant Refurbishing" and shall be subject to dollar and frequency limitations detailed in Paragraph 3.e. below.

e. **Restaurant Refurbishing.**

i. Subject to the terms and conditions hereafter set forth, you agree to effect such refurbishing of the Restaurant (in addition to regular maintenance and repair) as we from time to time reasonably require to maintain or improve the appearance and efficient operation of the Restaurant, and/or to comply with our then-current standards for a HuHot Restaurant. Refurbishing may include: (a) the substitution or addition of new or improved equipment; (b) the substitution or addition of new or improved fixtures, furniture and signs; (c) replacement of worn out or obsolete equipment, fixtures, furniture and signs (including but not limited to booths, carpeting and other items that we determine are worn out or in need of replacement); (d) redecorating; (e) repair of the interior and exterior of the premises; and (f) structural modifications and remodeling of the premises.

ii. Your obligation to refurbish the Restaurant as hereinabove provided shall be subject to the following terms and conditions: (a) you shall not be required to make aggregate expenditures for refurbishing in excess of 1% of the accumulative gross revenues of the Restaurant during the six preceding years to the date of any such required refurbishing; and we shall not require such refurbishing more often than every six years; (b) you shall not be required to effect any refurbishing of the Restaurant during the last three (3) years of the initial or any term of a successor franchise except in connection with acquisition of a successor franchise; and all refurbishing shall be completed within six (6) months of your receipt of notice thereof from us.

f. **Restaurant Opening.** You shall complete development of the Restaurant, obtain all licenses required by us for the operation of the Restaurant and have the Restaurant ready to open and commence the conduct of your business not later than sixteen (16) months from the date of this Agreement. If you fail to commence the conduct of business by the deadline set forth above in this Subparagraph 3.f., then this Agreement and the Franchise granted hereby may, at our sole option, be terminated upon our giving you written notice.

g. **Relocation of Restaurant.**

i. If your lease for the premises of the Restaurant terminates without fault on your part, or expires and is unable to be renewed by you at market rent and on substantially the same other material terms and conditions, or if in our mutual judgment there is a change in the character of the location of the Restaurant sufficiently detrimental to its business potential to warrant its relocation, or if you desire to relocate to another site within your Protected Area under this Agreement, we shall grant permission for relocation of the Restaurant to a location approved by us in accordance with the criteria then generally used by us in approving sites for HuHot Restaurants. You acknowledge that we shall not be obligated to approve a relocation which would violate the exclusive territory or any other contractual right of any other HuHot franchisee. Any relocation shall be at your sole expense, and shall not be undertaken without our prior written consent. We shall have the right to charge you for services we render to you in connection with such relocation. We shall also have the right to require you to construct, furnish and equip the relocated Restaurant to conform to our then current image, standards, and specifications for

construction and equipment for all new HuHot Restaurants.

ii. In the event of a relocation of the Restaurant, you shall promptly remove from the former Restaurant premises any and all signs, fixtures, furniture, posters, equipment, menus, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which are not used by you at the new Restaurant location shall be disposed of by you as directed by us following notice to us to the effect such articles will not be used at the new Restaurant. Furthermore, you shall, at your expense, immediately make such modifications or alterations as may be necessary to distinguish the former Restaurant premises so clearly from its former appearance and from other HuHot Restaurants so as to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying HuHot Restaurants and removal of all distinctive signs and emblems). you shall, at your expense, make such specific additional changes as we may reasonably request for this purpose. If you fail to initiate immediately or complete such alterations within such period of time as we deem appropriate, You agree that we or our designated agents may enter the premises of the former Restaurant and adjacent areas at any time to make such alterations as we deem appropriate to distinguish your former Restaurant premises, without liability for trespass. You expressly acknowledge that failure to make such alterations will cause irreparable injury to us and hereby consent to entry, at your expense, of an ex parte order by any court of competent jurisdiction authorizing us or our agents to take such action, if we seek such an order. Compliance with the foregoing shall be a condition subsequent to our approval of any relocation request by you, and in the event complete de-identification of the former Restaurant premises is not properly and completely undertaken, we may then revoke our permission for relocation and declare a default under this Agreement.

4. TRAINING AND GUIDANCE.

a. Training. We shall furnish, and you shall complete to our satisfaction, our initial training program in all phases of the operations of a HuHot Restaurant, including unit operations, food and beverage preparation and service, bookkeeping, inventory management, and local restaurant marketing. Such training program shall be for a minimum of ten (10) days at our training facility and a Restaurant location. We shall also furnish on-site training at your Restaurant around the time of the Restaurant opening for such time as we deem appropriate. Training shall be furnished to you or a Franchisor-approved manager designated by you (or, if Franchisee is a corporation, partnership or limited liability company, to its controlling shareholder, managing partner, member or a Franchisor-approved manager) and one additional person designated by you. The cost of such training is included in the initial franchise fee. We also shall furnish our initial training program to new managers of your Restaurant on reasonable request and subject to space availability and class scheduling. You shall pay to us \$1,500 for each manager to whom such training is given. If you delegate the direct supervision of the HuHot Restaurant to a HuHot-approved and trained manager, you (or, if you are a corporation, partnership or limited liability company, a controlling shareholder, managing partner or member) shall complete an owner's training program incorporating portions of our initial training program. If we provide refresher and

supplemental training programs, you are required to attend such training. You shall be responsible for the travel and living expenses (including local transportation expenses) incurred while attending the initial training program, owner's training, and any refresher training programs.

b. **Guidance and Assistance.** We shall furnish guidance to you with respect to: (1) specifications, standards and operating procedures utilized by HuHot Restaurants, and any modifications thereof; (2) specification of approved fixtures, equipment, furniture, POS System, signs, operating materials and supplies; (3) methods of food preparation and service and improvements thereon; (4) the establishment and maintenance of administrative, bookkeeping, accounting and general operating and management procedures; and (5) local marketing of your Restaurant. Such guidance shall, in our discretion, be furnished in or supplemented by our Operations Manual, bulletins, written reports and recommendations, other written materials, and/or telephonic consultations or consultations at our offices, at your Restaurant, or at other locations. We shall advise you from time to time of operational concerns at or in your Restaurant as disclosed by reports submitted to or inspections made by us. We shall make no separate charge to you for such operating assistance, provided that we may make reasonable charges for forms and other materials supplied to you and for operating assistance or training made necessary in our judgment as a result of your failure to comply with any provision of this Agreement or any specification, standard or operating procedure prescribed by us or operating assistance requested by you in excess of that normally provided by us.

c. **Operations Manual and Restaurant Development Manual.** We will lend to you during the term of the Franchise one copy of the Operations Manual. The Operations Manual shall contain mandatory and suggested specifications, standards, and operating procedures we prescribe from time to time for a HuHot Restaurant and information relative to your other obligations hereunder. We in our sole discretion may create and lend to you a separate Restaurant Development Manual containing specifications for site selection and procedures for opening the Restaurant. All Manuals may be modified have reasonable modifications made to them from time to time to reflect changes in the specifications, standards and operating procedures of HuHot Restaurants. No such modification shall alter Franchisee's fundamental rights under this Agreement. You shall keep your copy of the Operations Manual and Restaurant Development Manual, if any, current by immediately inserting all modified pages furnished by us for the Manuals and received by you. In the event of a dispute relative to the contents of the Manuals, the master copies maintained by us at our principal office shall be controlling. You may not at any time copy any part of the Manuals, or remove any Manuals from your place of business. You acknowledge that these manuals are designed to protect our standards, systems, names and marks, and not to control the day-to-day operations of your HuHot Restaurant.

d. **Delegation of Performance.** You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform such obligations.

5. **MARKS.**

a. **Ownership and Goodwill of Marks.** You acknowledge that we own the Marks and

are authorized to use the Marks in connection with our franchise program. Your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by us from time to time during the term of this Agreement. Any unauthorized use of the Marks by you shall constitute an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established thereby shall inure to our exclusive benefit, and you acknowledge that this Agreement does not confer any goodwill or other interests in the Marks upon you. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any others in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks shall apply to any additional trademarks, service marks, logo forms and commercial symbols hereafter authorized for use by and licensed to you pursuant to this Agreement.

b. **Limitations on Use of Marks.** You agree to use the Marks as the sole identification of the Restaurant, provided that you shall identify yourself as the independent owner thereof in the manner we prescribe. You shall not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, nicknames, terms, designs or symbols, or in any modified form (including, without limitation, any local or special adaptations or artistic variations of any of the Marks), nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You shall not for your own account register the Marks on the Internet or any other computer on-line service, create and maintain your own web site on the Internet using the Marks, or use the Marks on the Internet in any other manner. You agree to display the Marks prominently and in the manner we prescribe on signs, forms, and other materials and articles, and in no other manner. Further, you agree to give such notices of trademark or service mark ownership or registration and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. In the event we deem it advisable, you shall file for and maintain a "certificate of trade name" in the county or other appropriate jurisdiction in which your Territory is located. Under no circumstances, however, shall you be permitted to use the Names and Marks, or any part thereof, in the name of a corporation, limited liability company or partnership involved in the operation of your Franchised Business. If we request, you must also sign such other documents as we reasonably require in order to allow others in your state to use our Names and Marks, including without limitation any documents required by the applicable Secretary of State or Department of Commerce located in your state. Any and all uses of any of the Marks shall include such information and samples as we may require. You may not use "HuHot Mongolian Grills" or "HuHot" or a derivative thereof in its corporate, assumed, or other formal name.

c. **Notification of Infringements and Claims.** You shall notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person other than Franchisor or its franchises or affiliates of any rights in any Mark or any similar trade name, trademark, or service mark of which you become aware. You shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance and do such

acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in any such litigation, U.S. Patent and Trademark Office proceeding or other administrative proceedings or otherwise to protect and maintain our interests in the Marks.

d. **Discontinuance of Use of Marks.** It if becomes advisable at any time and for any reason, in our sole discretion, for us and/or you to modify or discontinue use of any Mark, and/or use one or more substitute trademarks or service marks, you agree to comply therewith within a reasonable time after notice thereof by us and our sole obligation shall be to reimburse you for your out-of-pocket expenses of complying with these obligations.

e. **Indemnification of Franchisee.** We agree to indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which you are held liable in any proceeding arising out of the use of any Mark pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding and have otherwise complied with this Agreement, cooperated fully with us and our attorneys. You agree that we shall have the right to defend any such claim. If we defend such claim, we shall have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney separately retained by you.

6. **PROPRIETARY INFORMATION**

a. **The Proprietary Information.** We possess (and will continue to develop and acquire) certain proprietary information, some of which constitutes trade secrets under applicable law (the "Proprietary Information"), relating to developing and operating Restaurants, including (without limitation):

site selection criteria;

training and operations materials and manuals;

the recipes of items prepared and sold in HuHot Restaurants

methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Restaurants;

marketing and advertising programs for Restaurants;

knowledge of, specifications for, and suppliers of products and supplies used in the Restaurant;

Customer list and data, including names, addresses and other information;

knowledge of the operating results and financial performance of Restaurants other

than your Restaurant; and

graphic designs and related intellectual property.

Any and all other information, processes or techniques which we designate as confidential or proprietary also shall be deemed Proprietary Information. We will disclose the Proprietary Information to you through furnishing you sample drawings and specifications for development and operation of the Restaurant, training programs, the Operations Manual, Restaurant Development Manual, if any, and through guidance furnished to you during the term of this Agreement.

Proprietary Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the relevant industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the relevant industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Proprietary Information, anyone who claims that it is not Proprietary Information must prove that one of the exclusions provided in this paragraph is fulfilled.

b. Limitations on Franchisee's Use. You acknowledge and agree that you will not acquire any interest in the Proprietary Information, other than the right to utilize the same in the development and operation of the Restaurant pursuant to this Agreement and in accordance with the terms of this Agreement or other agreements between Franchisee and Franchisor or its affiliates, and that the use or duplication of the Proprietary Information in any other business would constitute an unfair method of competition. You hereby agree that you and your affiliates, officers, directors, partners and all owners of any interest in Franchisee and/or the Restaurant: (a) will not use the Proprietary Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Proprietary Information during and after the Term; (c) will not make unauthorized copies of any portion of the Proprietary Information disclosed in written, visual, auditory or other tangible form; and (d) will adopt and implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Proprietary Information including, without limitation, restrictions on disclosure thereof to employees and the use of nondisclosure and non-competition clauses in employment agreements with employees and agents in the form we prescribe. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights. In connection with this obligation, you shall notify us of the name and address of each affiliate, officer, director, partner, supervisory employee and owner of Franchisee and shall update such information whenever necessary. Such notification shall contain and have annexed thereto a copy of the Confidentiality and Non-Competition Agreement executed by the individual at the time he or she acquires an interest in or becomes associated with or employed by. In said agreement such individual shall consent to be bound by the restrictive covenants contained in said Agreement and to our and your enforcement of such covenants. Your obligations pursuant to this Paragraph 6.b shall survive the termination or expiration of this Agreement.

c. **Innovations.** All ideas, concepts, techniques, and marketing, advertising or other materials relating to a Restaurant, whether or not protectable intellectual property and whether created by or for you or Franchisee's owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

d. **Customer List.** The list of customers, including direct mail address lists and internet email addresses, that you develop, acquire and service during the term of this Franchise Agreement is our proprietary information and property. At the expiration or termination of this Franchise Agreement for any reason, you will promptly turn over to us the entire list of customers and you will make no further use of that list for any purpose whatsoever.

7. **RELATIONSHIP OF THE PARTIES**

a. **Independent Contractors.** It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that Franchisor and Franchisee shall be independent contractors and no training, assistance or supervision, which Franchisor may give or offer to Franchisee, will defeat this status. Nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose.

b. **Franchisee's Obligations.** You shall conspicuously identify yourself in all dealings with customers, suppliers, public officials, Restaurant personnel, and others as the owner of the Restaurant under a Franchise granted from Franchisor, and shall place such notices of independent ownership on such forms, stationery, business cards, advertising and other materials as we may require from time to time. We have not authorized or empowered you to use the Marks except as provided by this Agreement, and you shall not employ any Mark in signing any contract, check, purchase agreement, negotiable instrument or other legal obligation without our prior written consent or employ any Mark in a manner that may result in liability to us for your indebtedness or obligation.

c. **Negation of Liability.** Neither Franchisor nor Franchisee shall make any express or implied agreements, guaranties or representations or incur any debt in the name of or on behalf of the other or represent that their relationship is other than that of franchisor and franchisee. Neither Franchisor nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other. We shall have no liability or obligation for any damages to any person or property directly or indirectly arising out of the development or operation of the Restaurant, whether or not caused by your negligent or willful action or failure to act. We shall have no liability for any sales, use, excise, gross receipts, property or other taxes of Franchisee or the Restaurant.

d. **Indemnification.** You agree to indemnify Franchisor and its subsidiaries, affiliates,

stockholders, directors, officers, employees, agents and assignees against and to reimburse them for all obligations, damages, and taxes for which they are held liable and for all costs reasonably incurred by them in the defense of any claims brought against them or in any action in which they are named as a party (including without limitation, reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses) as a result of or related in any way to the operation of the Restaurant, except to the extent caused solely by our negligent or willful action or failure to act. We have the right to defend any such claim against us. You shall also indemnify and hold us and our officers, directors, employees and agents harmless from any and all claims, demands or liabilities arising from the offer or sale of securities, whether asserted by a purchaser of any security or by a governmental agency. We have the right to defend any such claims.

e. **Survival.** The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

8. **FRANCHISE AND OTHER FEES**

a. **Initial Franchise Fee.** You agree to pay to us, upon execution of this Agreement, an initial franchise fee of \$40,000. The initial franchise fee shall be fully earned by us upon its payment, and shall be non-refundable, except as follows:

(i) If you or we cannot agree on a site for your Restaurant, then we may terminate this Agreement, and shall promptly return to you \$35,000 of the initial franchise fee, or

(ii) we determine following training that you have not completed training to our satisfaction, then we may terminate this Agreement, and shall promptly return to you \$30,000 of the initial franchise fee.

b. **Royalty Fee.** You agree to pay to us a weekly royalty fee in the amount of five percent (5%) ~~[six percent (6%) if local law does not permit a royalty to be paid or received on sales of alcoholic beverages]~~ of the Gross Revenues of the Restaurant (as defined in Paragraph 8.c. hereof). If a state or local law in which the Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Restaurant, then you and we will renegotiate the Royalty Fees and other provisions to provide the same basic economic effect to both you and us as otherwise provided in this Agreement, with a corresponding change to the definition of Gross Sales. The royalty fee shall be payable on or before each Friday for the preceding Reporting Week (Monday through Sunday).

c. **Definition of "Gross Revenues."** As used in this Agreement, the term "Gross Revenues" shall mean the entire amount of all gross sales and business receipts, including direct or indirect barter transactions (for products and services consumed or furnished on or off premises) arising out of the operation of the Restaurant, or through or by means of the business conducted in connection therewith, whether for cash or credit, and including proceeds of business interruption insurance policies, but excluding: (1) sales, use, or service taxes collected from customers and paid

to the appropriate taxing authority; (2) all bona fide customer refunds and approved rebates, discounts and allowances; and (3) where local law prohibits the collection or payment of a fee from you based on sales of alcoholic beverages, all receipts from such sales.

d. **Interest on Late Payments.** All Royalty Fees, Marketing Fund Contributions and other amounts which you owe to us or our affiliate shall bear interest after their due date at the lower of 1.5% per month, or the highest contract rate allowed by local law. You acknowledge that this Paragraph shall not constitute our agreement to accept such payments after same are due or a commitment by us to extend credit to, or otherwise finance, your operation of the Restaurant. Further, you acknowledge that your failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 16 hereof, notwithstanding the provisions of this Paragraph.

e. **Application of Payments.** Notwithstanding any designation by you, we shall have sole discretion to apply any payments by you to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from us or our affiliates, interest or other indebtedness owed to us or our affiliates

f. **Reimbursement of Our Taxes.** If any amount to be paid or reimbursed under this Agreement to us, or any of our Affiliates, is subject to state gross receipts or other state income tax, then you must pay or reimburse an additional amount to us or to our Affiliates, as the case may be, so that the amount actually received by us or our Affiliates after such deduction, payment or withholding will equal the full amount stated to be payable or reimbursable under this Agreement.

g. **Electronic Bank Draft Plan.** In the event you default in your payments due us under this Agreement, we have the right to require you to make all future payments due to us through an Electronic Bank Draft Plan on a bank account you must establish and maintain for the purpose of making payments to us. You shall execute such documents we require from time to time to permit us to withdraw from your general operating checking account the amounts due us.

h. **No Right to Offset.** You agree that your obligation to make payments under this Agreement is absolute and independent, and you shall not have the right to offset or withhold royalty fees, undisputed payments or any other sums as a result of, any alleged defaults of Franchisor.

9. **OPERATING STANDARDS**

a. **Image of the Restaurant.** The presentation of an image in compliance with our minimum standards and specifications to the public is an essential element of a successful franchise system. You shall offer for sale all products and services that we, in our sole discretion, may from time to time require, and shall make such reasonable expenditures as may be necessary to enable it to fulfill such obligation, including, without limitation, the purchase or lease of new equipment or services, and the hiring and training of suitable personnel. You further agree that the Restaurant will not, without our prior written approval, provide and/or offer for sale any products or services not then authorized by us for HuHot Restaurants. We reserve the right to revoke our approval of any products or suppliers previously authorized at any time upon written notice to you, provided that

you may continue to offer and sell all remaining on-hand or ordered non-cancelable inventory of such products ordered from such suppliers as of the date of receipt of written notice from us. We may, but are not required to, from time to time, conduct market research and testing to determine consumer trends and the salability of new food and beverage products and services. If reasonably possible, you agree to cooperate by participating in our market research programs, test marketing of new services and products in the Restaurant and providing us with timely reports and other relevant information regarding such market research.

b. Standards and Sources of Supplies.

i. You agree that the Restaurant will

- (1) use ingredients and prepare and offer for sale other beverages and food products
- (2) use menus and logoed materials, and
- (3) offer for sale other products and services

which conform to our specifications and quality standards and/or are purchased from suppliers approved from time to time by us (which may include Franchisor and/or its affiliates).

ii. You agree to use in the operation of the Restaurant only signs, equipment, merchandise, materials and supplies that conform to our minimum specifications and quality standards and/or are purchased from suppliers we approve from time to time.

iii. We may, from time to time, modify the minimum standards and specifications and/or the list of approved brands and/or suppliers. If you propose to use or offer any food products or beverages, or ingredients or supplies or other products or services (other than those which must be purchased pursuant to Paragraphs 9.b.i or 9.b.vii) which do not comply with our then-current minimum standards or specifications or which are purchased from a supplier that has not been approved, you shall first notify us in writing and submit sufficient information, specifications and samples concerning such item or supplier for our determination as to whether such item complies with our specifications and standards, and/or whether the supplier meets our approved supplier criteria. We shall have the right to charge you a reasonable fee to cover our costs incurred in making such determination, which, in the case of new items, shall be not more than \$250. We shall, within a reasonable time, notify you whether or not such proposed item or supplier is approved. We may from time to time prescribe procedures for submission of requests for approval of items or suppliers, and obligations which approved suppliers must assume (which may be incorporated into a written agreement to be executed by approved suppliers). We may impose limits on the number of suppliers and/or brands for any ingredient, food or beverage product or logoed materials, used or served by the Restaurant. We may collect a service fee on items purchased by you through national marketing contracts negotiated and maintained by us. Such service fee shall be established and paid to the Marketing Fund in the manner we prescribe from time to time.

iv. You shall not offer and sell any branded products in the Restaurant without our prior written consent. You shall offer and sell branded products which have been approved by us only in the manner we prescribe from time to time. We reserve the right to revoke the approval of a previously authorized branded product.

v. You shall at all times maintain an inventory of approved food products, beverages and ingredients and other products sufficient in quantity to meet customer demand.

vi. We reserve the right to require you to purchase proprietary sauces and other items from us or our designated suppliers, and to such proprietary items in the Restaurant and to offer such proprietary items for retail sale if we so require.

vii. We reserve the right to require that other items be purchased exclusively from us or our designees. In that event we or our designees may derive revenue and profits from said purchases. We also have the right to impose a surcharge on approved suppliers.

viii. We may receive payments from suppliers on account of purchases by you and other franchise owners from those suppliers. We may, but are not required to, contribute said payments toward the Advertising Fund.

c. **Operating Procedures.** You acknowledge that each and every detail of the appearance and operation of the Restaurant in compliance with our high standards is important to Franchisor and other HuHot Restaurants. You agree to cooperate with us by maintaining such high standards in the operation of the Restaurant. You agree to comply with all mandatory specifications, standards and operating procedures relating to the function and operation of a HuHot Restaurant including, without limitation, specifications, standards and operating procedures and rules relating to: (1) hours during which you shall operate the Restaurant; (2) methods and procedures relating to the acquisition, storage and preparation of products you offer or use in the operation of the Restaurant; (3) advertising and promotion; (4) use of standard menus; (5) the handling of customer inquiries and complaints; and (6) use of approved POS System. We reserve the right to approve all menu items and final copy of your menu prior to printing. Mandatory specifications, standards and operating procedures we prescribe from time to time in the Operations Manual, Restaurant Development Manual, if any, or otherwise communicated to you in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures.

d. **Compliance with Laws and Good Business Practices.** You shall secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Restaurant. You shall operate the Restaurant in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to the retail sale of alcoholic beverages, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You shall comply at your own expense for complying with the Food and Drug Administration ("FDA") and the United States Department of Agriculture and those federal and state laws and regulations relating to food and nutrition labeling and claims, including the Federal Food, Drug and

Cosmetic Act, 21 U.S.C. §101 et seq. (the "Act"), as amended by the Affordable Care Act of 2010 and the regulations promulgated thereunder, including the rule mandating nutrition labeling of menu items and calorie content on menus. You shall also comply with any and all nutrition labeling requirements imposed by federal, state or local law which may be enacted after the effective date of this Franchise Agreement. You acknowledge and agree to strictly comply with our prescribed menu items, and to follow the recipes and food preparation methods exactly as set forth in the Operations Manual, for all products offered and sold in your HuHot Restaurant. In the event you deviate from the prescribed recipes, ingredients, preparation methods, or menu boards, you shall be responsible for obtaining your own nutrition information in order to comply with applicable state and federal nutrition labeling requirements. The previous sentence shall not be construed to permit you to deviate from said items, and such deviation shall be a default under this Franchise Agreement. You shall indemnify us against any claims, damages, suits, judgments, fines, or any other losses we incur by virtue of your failure to comply with this subparagraph. You must also at your own expense comply with security standards established by the Payment Card Industry Security Standards Council, in connection with credit card transactions. All advertising by you shall be completely factual, in good taste in our judgment, and shall conform to the highest standards of ethical advertising. Both parties, in all dealings with customers, suppliers, employees, public officials and each other, shall adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Both parties agree to refrain from any business or advertising practice that may be injurious to the other and the goodwill associated with the Marks and other HuHot Restaurants. In the event you fail to secure any license or permit required for the operation of the Restaurant, we, at our option and in addition to our other rights and remedies hereunder, may obtain such license or permit on behalf of Franchisee and you shall fully cooperate with us in our efforts to obtain such license or permit on behalf of Franchisee and shall pay to us, on demand, all costs and charges incurred by us.

e. **Management and Personnel of the Business.** The Restaurant shall at all times be under your supervision, and shall at all times be under the full-time management by you or a qualified manager who has successfully completed our training program (or, if you are a corporation, partnership or limited liability company, your majority shareholder or partner or managing member, or qualified manager who has successfully completed our training program). You shall hire all employees of the Restaurant and shall be exclusively responsible for the hiring, retention, firing, scheduling, wages, benefits, vacations, discipline, performance evaluations, awards, promotions, demotions, work assignments, time off, and all other terms of their employment and compensation and for the proper training of such employees. If (other than as part of initial training as provided in Paragraph 4.a hereof) you request us to train your manager, you shall pay us a Training Fee in the amount of \$1,500. You shall establish at the Restaurant for all employees a training program meeting the standards we prescribe. You shall require all managers of the Restaurant to execute our then-current form of Confidentiality and Non-Competition Agreement. Upon reasonable request, you agree to provide us a copy of an executed Confidentiality and Non-Competition Agreement for each manager of the Restaurant. The requirement for the Confidentiality and Non-Competition Agreement (Exhibit C) between Franchisee and its managerial employees, including the provision that makes Franchisor an intended third party beneficiary, shall not create an employee or joint employee relationship between Franchisor and Franchisee's employees. You shall require all employees to maintain a neat and clean appearance and to conform to the standards of dress specified by us from time to time. You shall notify and communicate clearly with your employees in all dealings, including without limitation, your employment

applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, other materials, that you (and only you) are their employer and that we (the Franchisor) are not their employer. You must, on all employment applications you give out to employee applicants, have printed on said applications: *"You are applying for a job to work for an independently owned Franchise and not for the Franchisor or any other company."* You have sole responsibility for complying with all employment laws and for all employment decisions and functions related to the Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. You must verify that your employees meet all state and local requirements for certification and meet all prerequisites for employment in the United States. You shall not, during the term of this Agreement and for a period of two (2) years following termination or expiration of this Agreement for any reason, recruit or hire any employee of Franchisor or a HuHot Restaurant operated by Franchisor, an affiliate of Franchisor or another franchisee of Franchisor, without obtaining our prior written permission, such affiliate, or franchisee. If the Restaurant at any time is not being managed by you or a qualified, trained, full-time manager, we may appoint a manager for the Restaurant and charge a reasonable management fee (currently \$250 per day) during the period in which we manage the Restaurant. You shall not recruit or hire any employee of ours, of our Affiliates, or of another HuHot Franchisee, without obtaining the employer's prior written consent.

f. **Exclusive Relationship.** We have entered into this Agreement with you on the express condition that you and Franchisee's owners will deal exclusively with us. You therefore agree that during the term of this Agreement, except for the Restaurant and other HuHot Restaurants operated under franchise agreements with us, neither you nor any of Franchisee's owners or approved managers shall (1) have any direct or indirect ownership interest in any Competitive Business located or operating anywhere in the world; (2) have any direct or indirect ownership interest in any entity which grants franchises or licenses or establishes joint ventures for operation of Competitive Businesses anywhere in the world; or (3) perform services as a director, officer, manager, employee, consultant, representative, agent, lessor, lender, or otherwise for any Competitive Business or any business which grants franchises or licenses or establishes joint ventures for the operation of Competitive Businesses anywhere in the world. The restrictions of this Paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on an over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding. The term "Competitive Business" shall mean a restaurant offering food prepared within view of customers on a "Mongolian Grill," "Mongolian Barbeque," or similar cooking surface.

g. **Insurance.**

i. During the Term, you shall maintain in force, under policies of insurance issued by carriers approved by us, comprehensive general liability and property damage insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Restaurant, or otherwise in conjunction with the conduct of business by you pursuant to the Franchise Agreement, under one or more policies of insurance containing: Workers Compensation including Employers Liability insurance in the limit of no less than \$500,000; Comprehensive General Liability with a General Aggregate of no less than \$1,000,000 which must include "Hired and Non-

Owned” automobile liability coverage; Products Liability of \$1,000,000; Internet Liability of no less than \$1,000,000; umbrella coverage of \$1,000,000; host liquor liability coverage if and to the extent such liability is imposed by applicable law; and Business Interruption insurance in an amount equal to at least six months of gross revenue. In addition, if you use a vehicle to transport products or supplies, you must maintain Comprehensive Auto Liability of no less than \$1,000,000. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Each insurance policy shall name HuHot Mongolian Grills, L.L.C., 223 East Main Street, Missoula, Montana 59802 as an additional insured on a primary basis with respect to policies secured, and shall provide for thirty (30) days’ prior written notice to us of any material modification, cancellation or expiration of such policy.

ii. Upon request, you shall furnish us with a copy of each insurance policy to be maintained by you for the immediately following term and of the payment of the premiums therefore. If you fail or refuse to maintain required insurance coverage, or to furnish satisfactory evidence thereof and the payment of the premiums therefore, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on behalf of Franchisee and you shall fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain such insurance and pay to us, on demand, any costs (including administrative) and premiums incurred by us.

iii. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us, nor shall the maintenance of such insurance relieve you of any obligations under Section 7 of this Agreement.

h. Participation in System-wide Internet Web Site.

i. We or one or more of our designees may establish a website or series of websites, as well as Facebook, Twitter or any other cyberspace application for the HuHot Restaurant network to advertise, market and promote HuHot Restaurants and the products and services they offer, the HuHot Restaurant franchise opportunity, and/or for any other purposes that we determine are appropriate for HuHot Restaurants (collectively, the “System Website”). If we include information about your HuHot Restaurant on the System Website, you must give us the information and materials that we periodically request concerning your HuHot Restaurant and otherwise participate in the System Website in the manner that we periodically specify. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights.

ii. We own all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website, the log of “hits” by visitors, and any personal or business data that visitors (including you and

your personnel) supply. We may use the Marketing Fund's assets to develop, maintain and update the System Website. We may implement and periodically modify System standards relating to the System Website and, at our option, may discontinue the System Website, or any services offered through the System Website, at any time.

iii. All advertising, marketing and promotional materials that you develop for your HuHot Restaurant must contain notices of the System Website's URL in the manner we periodically designate. You may not develop, maintain or authorize any other website, Facebook, twitter, You Tube, other online presence or other electronic medium that mentions or describes your HuHot Restaurant or displays any of the Marks without our prior approval. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet. Nothing limits our right to maintain websites other than the System Website or to offer and sell products and services under the Marks from the System Website, another website or otherwise over the Internet without payment or other obligation.

i. **Cooperation in Displaying Franchisor's Franchise Literature.** You agree to cooperate with us in displaying our franchise literature, and will notify us when the supply of franchise literature on the Restaurants' premises is low. You will not be responsible for paying for any of the franchise literature.

j. **Variation of System Standards.** Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider to be best, to vary System standards for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. You have no right to require us to grant you a similar variation or accommodation.

k. **Pricing.** 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 and services.

l. **Inspections and Media Coverage of Food Borne Illness.** Franchisee agrees:

- (i) To comply with the food safety and health standards of the local health department and as set by us, whichever standards are higher and stricter;
- (ii) To satisfactory complete all food safety and health training courses required by applicable food safety and health laws;
- (iii) To close down the Restaurant if we determine that there are deficiencies relating to food safety, health and cleanliness, and to immediately correct said deficiencies to our satisfaction before re-opening the Restaurant;
- (iv) To refrain from talking to the media in the event of an outbreak of a food borne illness, and to acknowledge our right to control the information that is shared through the media relating to these circumstances.

m. **The HuHot Rewards Program.** You must participate in HuHot Rewards, which is a

system-wide loyalty program that requires consumer participation in order to get HuHot emails. There is no separate fee to you for participation; it is funded through the Marketing Fund. We may change the HuHot Rewards program at any time upon notice to you.

10. MARKETING AND PROMOTION

a. By Franchisor.

i. You agree to pay a Marketing Fund Contribution equal to one half of one percent (0.5%) of the Gross Revenues as defined in Paragraph 8.c of this Agreement at the same time and in the same manner as the Royalty. When there are 500 HuHot Restaurants, we have the right to increase the Marketing Fund Contribution paid by you, not to exceed three percent (3%) of Gross Revenues. We agree that HuHot Restaurants owned by us will contribute to the Marketing Fund on the same basis as franchised HuHot Restaurants.

ii. We will have sole discretion over all marketing programs funded by the Marketing Fund, including creative concepts, materials and endorsements, and the geographic markets, media placement and allocation of expenditures. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising and promotional materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies; administering multi-regional advertising programs, including purchasing direct mail and other media advertising and employing advertising agencies; and supporting public relations, market research and other advertising and marketing activities, as determined by us. We reserve the right to expend a portion of the Marketing Fund on advertising that is principally a solicitation for the sale of franchises. However, we will not expend an amount for this use that is greater than amounts contributed to the Marketing Fund by company-owned or affiliate-owned HuHot Restaurants. We will account for the Marketing Fund separately from our other funds. We will not use the Marketing Fund to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Marketing Fund and our marketing programs, including conducting market research, preparing advertising, promotional and marketing materials and collecting and accounting for contributions to the Marketing Fund. In the event all the Marketing Fund Contributions collected in any year are not expended in that same year, we have the right to roll said unused monies for use in the succeeding year. We are not required to have the Marketing Fund audited; however, we will furnish you an un-audited annual report of the Marketing Fund upon written request.

iii. You understand and acknowledge that the Marketing Fund is intended to enhance recognition of the Marks and patronage of HuHot Restaurants. We are under no obligation to: (i) spend any amount in your market; (ii) ensure that expenditures of the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the Marketing Fund Contributions paid by HuHot Restaurants operating in that geographic area; or (iii) insure that any HuHot Restaurants will benefit directly or in proportion to their

Marketing Fund Contributions from the development of advertising, promotional and marketing materials or programs.

iv. We assume no direct or indirect liability or obligation to you or to the Marketing Fund with respect to any failure by any franchisees of Franchisor to make any contributions to the Fund. The Marketing Fund will not be our asset. Although the Fund is not a trust, we will hold all Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. We do not owe any fiduciary obligation to you for administering the Fund or any other reason.

v. We have the right to waive, reduce, forgive, or otherwise modify the obligation of other franchisees to contribute to the Marketing Fund, and to make available to other franchisees the benefits of the Marketing Fund even though they may not be required to pay Marketing Fund Contributions in the same amounts that you must pay under this Agreement.

vi. We have the right to terminate the Marketing Fund by giving you thirty (30) days written notice. We have the right to reinstate the Marketing Fund under the same terms and conditions as set forth herein, by giving you thirty (30) days prior written notice of reinstatement.

b. By Franchisee.

i. You agree to list your Restaurant at your expense in each of the telephone directories distributed within your general market, in such business classifications as We prescribes from time to time.

ii. At any time Restaurant's average quarterly sales volume is less than the average quarterly sales volume of all HuHot Restaurants nationwide, you will spend not less than three percent (3%) of your Gross Revenues on local advertising and promotion, inclusive of telephone directory listings. Such expenditures shall be made directly by you, subject to our approval and direction. Within fifteen (15) days of our request, you shall furnish to us, in a manner we approve, an accurate accounting of the expenditures on local advertising and promotion for the period requested. This requirement for local advertising and promotion expenditures shall commence immediately upon the Restaurant opening.

iii. You shall join any local advertising co-operative which has been or may be formed by a majority vote of franchisees and Franchisor-owned or affiliate-owned Restaurants in your "Area of Dominant Influence" as determined by Arbitron Co. We assume no direct or indirect liability or obligation to you or to any local co-operative, including without limitation, any failure by any franchisees to make any contributions to the co-operative. You shall contribute advertising and promotion funds due under the foregoing paragraph to the local advertising cooperative, and the failure by you to make said contributions to the cooperative is a breach of this Agreement. All expenditures of funds by the cooperative shall be made pursuant to its bylaws in effect from time to time.

iv. Prior to their use by you, samples of all local advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval. If written disapproval is not received by you within fifteen (15) days from the date of receipt by us of such materials, we shall be deemed to have given the required approval. You shall not use any advertising or promotional material that we have disapproved.

11. RECORDS AND REPORTS

a. Accounting and Records. During the Term, you agree, at your expense: (1) to establish and maintain record keeping and accounting systems conforming to the requirements we prescribe from time to time; and (2) to prepare and preserve for three (3) years from the date of their preparation full, complete and accurate books, records and accounts prepared pursuant to such accounting procedures as we may prescribe from time to time, copies of sales tax returns and copies of such portions of your state and federal income tax returns as reflect the operation, income or losses of the Restaurant.

b. Reports and Tax Returns.

i. Furnished to Franchisor. You shall furnish to us the following: (a) concurrently with the payment of the royalty fees, a report of the Gross Revenues of the Restaurant for the preceding week; (b) within thirty (30) days of the end of each quarter, profit and loss statements and cash flow statements for that quarter as well as year-to-date, and a balance sheet as of the end of that quarter; and (c) within ninety (90) days of the end of each fiscal year, an annual profit and loss statement, cash flow statement, and a balance sheet as of the fiscal year end. The annual statements provided by Franchisee pursuant to Paragraph 11.b.i.(c), if requested by us, shall be accompanied by an opinion of a certified public accountant or firm of certified public accountants selected by you and approved by us, which opinion may be qualified only to the extent reasonably acceptable to us. Further, you shall furnish to us copies of other reports designated by us and such other information and supporting records as we prescribe from time to time. All such financial statements, reports and information shall be on forms we approve and shall be signed and verified by you. Franchisee agrees that his computer system will be polled (accessed by electronic means) by Franchisor to verify Gross Revenues. Franchisor (and its accountant and/or other designee) shall have the right to make extracts from the copies of all such documents and information.

ii. **Availability for Inspection.** You shall maintain readily available for inspection by us, and shall furnish to us upon our request, exact copies of all state sales tax returns and such portions of your federal and state income tax returns as reflect the operation, income or losses of the Restaurant. In addition, you at your expense shall furnish to us (and our accountant and/or other designee) for inspection or audit such forms, reports, records, financial statements and other information as we may require. You shall make such financial and other information available at such locations as we may reasonably request (including our office) and shall afford us (and our accountant and/or other designee) full and free access thereto during regular business hours. We (and our accountant and/or other designee) shall have the right to make extracts from the copies of all such documents and information.

c. **Use of Data, Name, Photograph and Biographic Information.** You consent to the use of your name, photograph, and biographical and financial data concerning the operation of your business, as well as photographs of the interior and exterior of your Restaurant, in our advertising and other literature promoting HuHot Restaurants.

d. **Consent by Franchisee to Collect, Use, and Disseminate Data.** Franchisee hereby consents to the collection, use and dissemination by Franchisor of any and all data collected or provided by Franchisee to Franchisor, whether polled electronically by Franchisor or furnished electronically or otherwise by Franchisee. Franchisee further consents to Franchisor using third party vendors to poll Franchisee's data and furnish said data to Franchisor at any time without limitation. Franchisor shall have the right to use such data in any manner that Franchisor deems appropriate, without compensation to Franchisee, including but not limited to, the disclosure or distribution of such data to other HuHot franchisees, or the disclosure of such information to prospective HuHot franchisees by inclusion in Franchisor's franchise disclosure document or otherwise. Franchisor shall mark such data as "Confidential" when Franchisor disseminates the data internally. Franchisor shall omit names of Franchisees when the data is included in the franchise disclosure document. Franchisee shall treat as confidential and not divulge to any other parties any financial data of other franchisees that Franchisor disseminates and has marked "Confidential."

12. **INSPECTIONS AND AUDITS**

a. **Examinations of Books and Records**

i. **Franchisor's Right to Examine and Audit.** We shall have the right at any time during business hours, and without prior notice to you, to examine or audit or cause to be examined or audited the business records, bookkeeping and accounting records, bank statements, sales and income tax records and returns and other books and records of the Restaurant and the books and records of any corporation, partnership or limited liability company which is the Franchisee under this Agreement or which conducts any business relating to the franchise. You shall maintain all such books, records and supporting documents at all times at your business office. You shall fully cooperate with our representatives and accountants hired by us to conduct any such examination or audit.

ii. **Audit Fees.** In the event any such examination or audit shall disclose an understatement of Gross Revenues of the Restaurant, you shall pay to us, within ten (10) days after receipt of the examination or audit report, the royalty fees and any Marketing Fund Contributions due on the amount of such understatement, plus interest (at the rate and on the terms provided in Paragraph 8.d. hereof) from the date originally due until the date of payment. Further, in the event such examination or audit is made necessary by your failure to furnish reports, supporting records, financial statements or other documents or information, as herein required, or your failure to furnish such reports, records, financial statements, documents or information on a timely basis, or if an understatement of the Gross Revenues of the Restaurant for any period is determined by any such examination or audit to be one-and-one-half percent (1.5%) or greater, you shall reimburse us for the reasonable costs of such audit or examination, including, without limiting, the charges and disbursements of any independent accountants and the travel expenses, room and board (if any) and compensation of our employees in connection with such audit or examination. The foregoing remedies shall be in addition to all our other remedies and rights hereunder or under applicable law. Should audit reveal no material financial understatement, we shall reimburse you for reasonable expenses expended by you in connection with such audit and examination.

b. **Inspection of the Restaurant.** To determine whether you are complying with this Agreement and all System standards, and to insure the proper use of the Marks, we shall have the right at any time during business hours, and without prior notice to you, to inspect the Restaurant. You shall fully cooperate with our representatives making any such inspection and shall permit our representatives to take photographs, movies, or videotapes or digital recordings of the Restaurant; to interview employees and customers of the Restaurant; and to remove samples of any products and supplies.

13. **LATE FILING FEE**

You acknowledge that timely furnishing of the reports required under Paragraph 11.b.i is necessary to enable us to assess the performance of the Restaurant and to assist you in enhancing such performance, and to enable us to determine the amount of Royalty Fees and Marketing Fund Contributions due from you. Accordingly, you agree that in the event that you willfully fail to submit any reports or tax returns required to be furnished to us under this Agreement, within 15 days of their due date, you shall pay to us a late filing fee in the amount of \$100 per day thereafter until such reports or tax returns are furnished. The imposition of a penalty in no manner limits our rights to exercise any other remedy available under this Agreement or in law.

14. **TRANSFER**

a. **By Franchisor.** We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. Following assignment by us, this Agreement shall inure to the benefit of any transferee or other legal successor to our interests. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

b. **By Franchisee.**

i. **Franchisee May Not Transfer Without Approval of Franchisor.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your owners and that we have granted the Franchise to you and Franchisee's owners in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee and its owners. Accordingly, neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of Franchisee (if you are a corporation, partnership or limited liability company) or of the assets (other than assets disposed of in the ordinary course of business) of Franchisee or the Restaurant, or any interest in any of the foregoing, may be transferred, sold, assigned, pledged, mortgaged or liened without our prior written approval, and any such transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, the Franchise, Franchisee, the Restaurant or your assets. For purposes of this Article 14 on transfers, the following shall be deemed to be transfers requiring Franchisor's consent: (a) any transfer to a corporation, partnership, limited liability company, or other entity or any conversion of an entity to a different form of entity; (b) if you are a corporation or limited liability company, (i) any conversion, dissolution, merger, consolidation, or other reorganization, (ii) any issuance, sale, or other transfer of any shares or membership units in an amount sufficient to affect voting control or to a person or entity that is not an existing shareholder or member, (iii) any sale of assets not in the ordinary course of business, or (iv) any change in the chief executive, operating, or financial officer or any manager; (c) if you are a partnership, any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and (d) if you consist of more than one person, any transfer from one person to any other.

ii. **Conditions for Approval of Transfer.** If you and Franchisee's owners are in full compliance with this Agreement, we shall not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Paragraph. The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for HuHot Restaurant franchisees, and the financial terms of the proposed transfer shall not, in our judgment, unduly burden the proposed transferee so as to impair its ability to successfully operate the Restaurant. We shall interview and evaluate the proposed transferee at our principal place of business or at such other location that we designate. A transfer of ownership in the Restaurant (including a transfer of substantially all the assets used in the operation of the business) may only be made in conjunction with a transfer of the Franchise, or if you are a corporation, partnership or limited liability company, the interest in Franchisee, or is one of a series of transfers which in the aggregate constitute the transfer of the Franchise or a controlling interest in Franchisee. All of the following conditions must be met prior to or concurrently with the effective date of the transfer (unless otherwise specified):

- (1) the assignee or transferee shall have been approved by us for financial responsibility, good moral character and suitability as an operator of a HuHot

Restaurant;

(2) You or the assignee or transferee shall pay to us a transfer fee of Three Thousand Five Hundred Dollars (\$3,500), and, if transferee has not previously successfully completed our training program, a training fee of Two Thousand Five Hundred Dollars (\$2,500) for each person for whom training is required by us or requested by Assignee;

(3) the assignee or transferee shall not be engaged as a licensor, franchisor, independent operator or franchisee of any competitive business, except that the assignee, transferee or purchaser may be an existing franchisee of Franchisor or our affiliate;

(4) You shall have paid all outstanding debts and obligations to us and our affiliates, including the royalty fees and all amounts due the Marketing Fund, and to our designated suppliers;

(5) You and Franchisee's owners shall execute a release of any and all claims against us and our affiliates, and our and our affiliates' officers, directors, agents, and employees, arising out of or related to this Agreement, or any other agreement with us or our affiliates, which release shall contain language and be in the form we prescribe;

(6) the assignee or transferee (and its owners) shall, at our sole discretion, have executed and agreed to be bound by: (i) an assignment and assumption agreement satisfactory to us, whereby the assignee assumes your obligations under this Agreement; or (ii) our then-current form of franchise agreement, for a term equal to the remaining term of the franchise, but which may provide for a different rate for Royalty Fees and Marketing Fund Contributions required hereunder;

(7) if required, the lessor(s) of the premises of the Restaurant or any leased furniture, fixtures and equipment has consented to your assignment or sublease of said premises or furniture, fixtures and equipment to the proposed assignee;

(8) We shall have approved the material terms and conditions of such assignment and shall have determined that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Restaurant by the assignee;

(9) You shall have entered into an agreement with us agreeing to subordinate any obligations of such transferee or assignee to make installment payments of the purchase price or any other payments to you to such transferee's or assignee's obligations to us, including, without limitation, any Royalty Fees or Marketing Fund Contributions; and

(10) the assignee or transferee shall complete to our satisfaction, at assignee or transferee's expense and upon such terms and conditions as we may reasonably require, any training programs then in effect for franchisees at such time and place

designated by us.

iii. **Reimbursement of Franchisor's Expenses.** In the event you shall request consent to a transfer of this Agreement or a controlling interest in Franchisee and for any reason such transfer is not completed or consummated, we shall be entitled to reimbursement of our reasonable expenses incurred in connection with such proposed transfer in accordance with the procedures set forth herein, including, without limitation, expenses related to investigating, processing and training any proposed transferee.

iv. **Transfer to a Wholly-Owned Entity.** If you are a natural person and are in full compliance with this Agreement, we shall not unreasonably withhold our approval of a transfer in the case of a proposed assignment or transfer of this Agreement and the Franchise to a corporation, partnership or L.L.C. which conducts no business other than the Restaurant, which is actually managed by you and in which Franchisee maintains management control and owns and controls at least fifty-one percent (51%) of the general partnership interest or the equity and voting power of all issued and outstanding capital stock or membership interests, provided that all owners of such corporation, partnership or L.L.C. agree jointly and severally to guarantee the obligations of Franchisee under this Agreement and to be bound by the provisions of this Agreement in the form we prescribe. Transfer of shares or interests representing 50% or more of the ownership in such corporation, partnership or L.L.C. will be subject to the provisions of Paragraph 14.b.ii. You shall notify us in writing of the name and address of each and every shareholder, partner, officer, member, director and supervisory employees of any such corporation, partnership or L.L.C. and any changes thereto.

c. **Death or Disability of Franchisee.**

i. **Transfer of Interest.** Upon the death or permanent disability of you or any other owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall transfer your interest in this Agreement and the Franchise, or such interest in Franchisee, to a third party approved by us. Such disposition of this Agreement and the Franchise, or such interest in Franchisee (including without limitation, transfer by bequest or inheritance), shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to transfers contained in this Section 14. Failure to so transfer the interest in this Agreement and the Franchise or such interest in Franchisee within said period of time shall constitute a breach of this Agreement.

ii. **Operation After Death or Permanent Disability.** Upon the death or permanent disability of you or the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall appoint a manager to operate the Restaurant within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability of such person. The appointment of such manager shall be subject to our prior written approval and, if requested by us, such manager shall attend and complete our training program for franchisees. Such manager shall execute our then-current form of Confidentiality and Non-Competition Agreement. If in our

judgment, the Restaurant is not being managed properly after the death or permanent disability of you or the owner of a controlling interest in Franchisee, we shall have the right to appoint a manager for the Restaurant. All funds from the operation of the Restaurant during the management by our appointed manager will be kept in a separate bank account, and all expenses of the Restaurant including compensation, other costs, and travel and living expenses of your manager will be charged to this account. We shall have the right to charge a reasonable management fee, currently \$250 per day (in addition to the royalty fee and Marketing Fund Contributions payable under this Agreement), during the period in which we manage the Restaurant as herein provided.

iii. **Definition of Permanent Disability.** You or the owner of a controlling interest in Franchisee will be deemed to have a "permanent disability" if your usual, active participation in the Restaurant as contemplated by this Agreement is for any reason curtailed for a continuous period of three (3) months.

d. **Effect of Consent to Transfer.** Our consent to a transfer of this Agreement and the Franchise, or any interest in Franchisee or the Restaurant or its assets, shall not constitute a waiver of any claims we may have against you (or Franchisee's owners), nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

e. **Franchisor's Right of First Refusal.** If you or Franchisee's owners shall at any time determine to sell an interest in this Agreement, the Franchise, the Restaurant or an ownership interest in Franchisee, you or Franchisee's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall immediately submit an exact copy of the offer to us. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to at least five percent (5%) or more of the offering price. We shall have the right, exercisable by written notice delivered to you or Franchisee's owners within fifteen (15) days from the date of delivery of an exact copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer. Our credit shall be deemed equal to the credit of any proposed purchaser. We shall have not less than sixty (60) days from the date of exercise of our right of first refusal to prepare for closing. We shall be entitled to purchase such interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including without limitation, representations and warranties as to ownership, condition and title to stock and/or assets. If we do not exercise our right of first refusal, you or Franchisee's owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer, as provided in Section 14. If the sale to such purchaser is not completed within one hundred (120) days after delivery of such offer to us, or if there is a material change in the terms of the sale, we shall have an additional right of first refusal for thirty (30) days on the same terms and conditions as are applicable to the initial right of first refusal. For purposes of this paragraph, a material change in an offer shall include, but not be limited to, a deviation of greater than 10% in the price you originally offered to us.

15. **TERMINATION BY FRANCHISEE.**

If you are in substantial compliance with this Agreement and we materially breach this Agreement and fail to cure such breach within thirty (30) days after written notice thereof is delivered to us, or if such breach cannot reasonably be cured within such thirty (30) day period, and we fail to commence a bona fide program to cure such breach within such thirty (30) day period and continue to complete such cure, then you may terminate the Franchise effective ten (10) days after delivery to us of written notice of termination. A termination of this Agreement for any other reason than material breach of this Agreement by us, and failure to cure such breach within the time period specified herein, shall be deemed a termination by you without cause.

16. TERMINATION BY FRANCHISOR.

a. We shall have the right to terminate this Agreement effective upon delivery of notice to you, and without an opportunity to cure, if:

i. You fail to have the Restaurant open for business within sixteen (16) months from the date of this Agreement.

ii. You abandon, surrender, transfer control of, lose the right to occupy the premises of the Restaurant, or fail to actively operate the Restaurant;

iii. You assign or transfer this Agreement or any interest therein or in the Franchise, the Restaurant, or the assets of the Restaurant without compliance with the provisions of this Agreement;

iv. You are adjudged bankrupt, become insolvent or make a general assignment for the benefit of creditors;

v. You, or any of Franchisee's owners, are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of the Restaurant or the goodwill associated with the Marks;

vi. Your operation of the Restaurant would result in a threat or danger to the public health and safety;

vii. You fail on three (3) or more separate occasions within any twelve (12) consecutive month period to submit when due financial statements, reports or other data, information or supporting records; to pay when due the royalty fees, Marketing Fund Contributions, amounts due for purchases from us or our affiliates or other payments due to us or our affiliates; or otherwise fail to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is given to you;

viii. You or any of Franchisee's owners fail to comply with the covenants contained in Paragraph 9.f. of this Agreement;

ix. You or any of Franchisee's owners disclose or divulge the contents of the

Operations Manual, or other Manual or other trade secret or other confidential information provided to you by us contrary to provisions of this Agreement;

x. You fail to satisfactorily complete the Restaurant training program;

xi. Upon the death or permanent incapacity of you or an owner of a controlling interest in Franchisee, an approved transfer is not effected as provided in Section 14 of this Agreement;

xii. You fail to timely pay any lender to whom we have guaranteed your obligations, or to us if you have entered into a financing arrangement with us:

(1) more than three (3) times if the defaults are cured, or

(2) one (1) time if the default is not timely cured during the financing term;

xiii. Any other agreement between Franchisor and Franchisee (or related entities, of which any one or more parties, whether individual, corporate or otherwise, is a party to or guarantor of said other agreement) is terminated, which termination is a result of your default and failure to cure as provided under said agreement;

xiv. Your or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation; or

xv. You breach the terms of the Joinder attached to this Agreement as Rider D.

b. We shall have the further right to terminate this Agreement, effective upon the delivery of notice of termination to you, if you fail to pay when due any monies owed to us or our affiliates and do not correct such failure within ten (10) days after written notice thereof is given to you, or fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by us and do not correct such failure within thirty (30) days after written notice of such failure to comply is given to you.

c. A default under this Agreement shall also constitute a default under any and all other agreements entered into between Franchisor and Franchisee (or related entities, of which any one or more parties, whether individual, corporate or otherwise, is a party to or guarantor of said other agreement), with the right to terminate the other agreement(s) in accordance with the provisions of those agreement(s).

17. **RIGHTS OF FRANCHISOR AND OBLIGATIONS OF FRANCHISEE
UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

a. **Payment of Amounts Owed to Franchisor.** You agree to pay to us within fifteen (15) days after the effective date of termination or expiration of the Franchise, or such later date that the amounts due to us are determined, such Royalty Fees, Marketing Fund Contributions, amounts owed for purchases by you from us or our affiliates, interest due on any of the foregoing and all other amounts owed to us or our affiliates which are then unpaid.

b. **Marks.** You agree that after the termination or expiration of the Franchise you will: (1) not directly or indirectly at any time or in any manner identify yourself or any business as a current or former HuHot Restaurant, or as a franchisee or licensee of or as otherwise associated with us, use any Mark or any colorable imitation thereof in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us; (2) return to us at your cost or destroy all forms and materials containing any Mark or otherwise identifying or relating to a HuHot Restaurant; (3) alter the interior and exterior of the Restaurant so as to distinguish its appearance from HuHot Restaurants, including the removal of all HuHot-required décor build-out, murals and artwork; (4) return to us all inventory bearing the Marks at your cost; (5) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark; (6) change the telephone number of the Restaurant and instruct all telephone directory publishers to modify all telephone directory listings of the Restaurant associated with any Marks when the directories are next published; (7) if requested by us, transfer to us or our designee the telephone number of the Restaurant and all telephone directory listings associated with the Marks; and (8) furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the foregoing obligations. Upon our request, you will furnish us photographs of the Restaurant as evidence of the removal of our Marks and trade dress.

c. **Confidential Information.** You agree that, upon termination or expiration of the Franchise, you will immediately cease to use our Proprietary Information or other business information disclosed to or otherwise learned or acquired by you from us, in any business or otherwise, and return to us all copies of the Operations Manual, Restaurant Development Manual, if any, and any other confidential materials which have been lent or made available to you by us.

d. **Covenant Not to Compete.** Upon termination of this Agreement by us in accordance with its terms and conditions or by you without good cause, or upon expiration of this Agreement, you and Franchisee's owners agree that for a period of two (2) years, commencing on the effective date of termination or expiration or the date on which all persons restricted by this Paragraph 17.d. begin to comply with this Paragraph 17.d., whichever is later, neither you nor the operating Franchisee entity nor any Franchisee's owners nor the guarantors to this Franchise Agreement shall (1) have any direct or indirect ownership interest in any Competitive Business located or operating within fifty (50) miles of the Restaurant or within ten (10) miles of any other franchisee of Franchisor, or of any company-owned or affiliate-owned HuHot Restaurant; or (2) have any direct or indirect ownership interest in any entity which has granted or during such two (2) year period grants franchises or licenses for the operation of Competitive Businesses within fifty (50) miles of the Restaurant or within ten (10) miles of any other franchisee of Franchisor, or of any

company-owned or affiliate-owned HuHot Restaurant; (3) perform services as a director, officer, manager, employee, consultant, representative, agent, lender, lessor, or otherwise for any Competitive Business located within fifty (50) miles of the Restaurant or within ten (10) miles of any other franchisee of Franchisor, or of any company-owned or affiliate-owned HuHot Restaurant, or (4) own, engage in, be employed by, advise, assist, lease or sublease to, invest in, franchise, lend money to, sell or lease the assets of the HuHot Restaurant to, or have any financial or other interest in any Competitive Business located within fifty (50) miles of the Restaurant or within ten (10) miles of any other franchisee of Franchisor, or of any company-owned or affiliate-owned HuHot Restaurant. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding. To the extent that any provision of this Paragraph 17.d. or Paragraph 9.f. hereof is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any or all thereof, you and we agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

e. **Continuing Obligations.** All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

f. **Franchisor's Option to Purchase.** Upon the termination or expiration of the Franchise, we shall have the option, but not the obligation, exercisable for thirty (30) days upon written notice to you, to purchase at fair market value, all of the assets of the Restaurant. If the parties cannot agree on the fair market value of the assets of the Restaurant within a reasonable time, such value shall be determined by an independent appraiser who shall have been selected jointly by the parties. We shall not assume any liabilities, debts or obligations of the Restaurant in connection with any such transfer and you shall indemnify us for any and all claims made against us arising out of any such transfer of the assets of the Restaurant. The parties shall comply with all applicable laws in connection with any such transfer and you shall cooperate with us in complying with all such requirements. At the closing of the purchase of the Restaurant, as above provided, both parties will execute and deliver all documents necessary to vest title in us or our nominee, free and clear of all liens and encumbrances. We shall have the right to set off against the purchase price of the assets of the Restaurant all amounts due to us from you under this Agreement or any other agreements between the parties.

g. **Non-Solicitation of Others' Employees.** Upon expiration or termination of this Agreement for any reason, you and Franchisee's owners agree that for a period of two (2) years, commencing on the effective date of termination or expiration, you shall not recruit or hire any employee of ours, of our Affiliates, or of another HuHot Franchisee, without obtaining the employer's prior written consent.

18. **PRE-TERMINATION OPTIONS.** Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates or fail to comply with any term of this Agreement, then in addition to our right to terminate this Agreement or to bring a claim for damages or to

enforce this Agreement, we have the option:

- a. To remove the listing of your HuHot Restaurant business from all advertising published or approved by us.
- b. To cease listing your HuHot Restaurant on our website and to discontinue any links from that site to any site for your business.
- c. To prohibit you from attending any meetings or programs held or sponsored by us;
- d. To terminate your access to any computer system or software we maintain or license to you; and/or
- e. To suspend all services we or our affiliates provide to you under this Agreement or otherwise.

Our actions, as outlined in this Section 18 may continue until you have brought your accounts current, cured any default, and complied with our requirements, and we have acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement or otherwise. Further, you acknowledge that the taking of any or all such actions on our part will not deprive you of the most essential benefits of this Agreement, and will not constitute a constructive termination of this Agreement.

19. ENFORCEMENT

a. **Severability and Substitution of Valid Provisions.** Except for your obligation to pay Royalty Fees and Marketing Fund payments, or as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if for any reason any such provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to grant a successor franchise than is required hereunder, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and we shall have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction, unless we elect to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

b. Waiver of Obligations.

i. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice. The parties shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal or neglect of either party to exercise any right under this Agreement or to exercise any right under this Agreement or to insist upon exact compliance by the other with the other's obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to any other HuHot Restaurant; or the acceptance by us of any payments from you after any breach by you of this Agreement.

ii. We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

iii. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war, or riot; or (6) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payment of amounts owed at the time of such occurrence or payment of Royalties and Marketing fees due on any sales thereafter.

c. Rights of the Parties are Cumulative. The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which we or you are entitled by law to enforce.

d. **Costs and Attorneys' Fees.** If we incur attorney's fees in connection with collecting delinquent payments from you and/or enforcing compliance with this Agreement (whether or not legal proceedings are filed), you shall reimburse us our reasonable legal fees and costs so incurred. If a claim for amounts owed by you to us is asserted in any arbitration or judicial proceeding or appeal thereof, or if we or you are required to enforce this Agreement in an arbitration or judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses including, but not limited to, reasonable accounting, legal and attorneys' fees.

e. **Governing Law/Consent to Jurisdiction.** All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.). Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) or other federal law, this Agreement and the Franchise shall be governed by the laws of the State of Montana. You agree that we may institute any action against you to enforce the provisions of this Agreement in the state court in the county where our principal business address is then located, or the federal court in the judicial district where our principal business address is then located. You agree that any action you bring against us, subject to the arbitration clause set forth below in Section 19.1, must be brought in the state court in the county where our principal business address is then located, or the federal court in the judicial district where our principal business address is then located. You agree that such courts shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. You further agree that, in the event of such litigation, you will not contest or challenge the jurisdiction or venue of these courts. You irrevocably submit to the exclusive jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

f. **Waiver of Jury Trial.** Each party irrevocably waives trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

g. **Limitations of Claims.** Except for claims against you to recover unpaid monies due to us or our affiliates, any and all claims arising out of or relating to this Agreement or the relationship among the parties hereto or their affiliates shall be barred unless a legal action or arbitration proceeding is commenced within one (1) year from the date the party asserting such claims knew of the facts giving rise to such claims.

h. **Binding Effect.** This Agreement is binding upon the parties hereto, and their respective executors, administrators, heirs, assigns and successors in interest.

i. **Modification.** This Agreement shall not be modified except by written agreement signed by both you and us. Notwithstanding the preceding sentence, we may modify the Operations Manual, and/or Restaurant Development Manual pursuant to Paragraph 4.c.

j. **Construction.** The preambles and riders are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral, electronic, or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of

this Agreement. Provided, however, nothing in this Agreement or in any related agreement is intended to disclaim our representations made in the franchise disclosure document. Except as otherwise set forth, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any action or request by you, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. Whenever this Agreement or any related agreement grants, confers or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold Franchisor's consent or grant or withhold Franchisor's approval, unless the provision specifically states otherwise, Franchisor will have the right to engage in such activity at Franchisor's option taking into consideration Franchisor's assessment of the long term interests of the System overall. Franchisee and Franchisor recognize, and any court or judge or arbitrator is affirmatively advised, that if those activities and/or decisions are supported by Franchisor's business judgment, neither said court, said judge, said arbitrator, nor any other person reviewing those activities or decisions will substitute his, her or its judgment for Franchisor's judgment. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold Franchisor's approval or consent, if Franchisee is in default or breach under this Agreement, any withholding of Franchisor's approval or consent will be considered reasonable. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The language of all provisions of this Franchise Agreement shall be construed simply according to its fair meaning and not strictly against the Franchisor or the Franchisee. It is the desire and intent of the parties that the provisions of this Franchise Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. The term "attorneys' fees" shall include, without limitation, reasonable legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. The term "affiliate" as used herein is applicable to any company directly or indirectly owned or controlled by us or you, under common control with us or you or any principal of Franchisor or Franchisee. References to a "controlling interest" in Franchisee shall mean more than fifty percent (50+%) or more of the voting control of Franchisee. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, a partnership, or L.L.C., as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor shall be joint and several. This Agreement may be executed in multiple copies, each of which shall be deemed an original as to the parties signing it.

- k. **Time is of the Essence.** Time is of the essence of this Agreement.

1. **Mandatory and Binding Arbitration.**

i. All disputes, controversies or claims arising out of or relating to this Agreement or the relationship of the parties hereto or their affiliates, or officers, directors, agents or employees of the parties or their affiliates, shall be submitted for arbitration to the American Arbitration Association on demand of any party to such dispute. Claims which must be submitted to arbitration pursuant to this provision include those against the parties hereto, their affiliates, or the officers, directors, members, agents, or employees of either. Such arbitration proceedings shall be conducted in Missoula, Montana and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. All matters within the scope of the Federal Arbitration Act (9 U.S.C. §1 et seq.) shall be governed by it.

ii. The arbitrator shall have the right to award or include in his award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs in accordance with Paragraph 19.d., provided that the arbitrator shall not have the authority to award exemplary or punitive damages (except for your obligations to indemnify us for third party claims under Paragraph 7.d.), nor shall he have jurisdiction over any dispute relating to the ownership, validity or registration of any name or Mark licensed hereunder. The award and decision and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred.

iii. We and you agree that arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisee shall not be consolidated with any other arbitration proceeding involving Franchisor and any other person, association, corporation, partnership, L.L.C. or other entity.

iv. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

v. Notwithstanding the above and foregoing, we shall have the right to apply directly to a court of competent jurisdiction for a temporary restraining order, preliminary injunction or other emergency relief which may be available to protect the name, Marks or System licensed hereunder, without the necessity of first filing an arbitration demand.

m. **Franchisor's Right to Change Personnel.** You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with us in that capacity.

n. **Franchisor's Right to Implement, Change and Rescind Policies.** Any policies that we adopt and implement from time to time, including policies to guide us in our decision-making, are subject to change, are not a part of this Agreement, and are not binding on us.

o. **No Third Party Beneficiary Claims.** Except as provided in Subsection 7.d. on Indemnification, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

p. **Waiver of Collateral Estoppel.** The parties agree that they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between the Parties. We and you therefore each agree that a decision of an arbitrator or of a court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between you and us. The parties, therefore, waive the right to assert the principles of collateral estoppel in any action between the parties to this Franchise Agreement so that one party is prevented from raising against the other party to this Franchise Agreement the loss by that party of a similar claim or defense in another action.

20. **NOTICES AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operations Manual or Restaurant Development Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile, telegraph or other electronic system, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the parties as follows:

Franchisor: HuHot Mongolian Grills, LLC
 223 East Main Street
 Missoula, Montana 59802

Franchisee: Name and Address of Person to Receive Notice for Franchise Owner.

(a) Name: _____
(b) Postal Address: _____

or at the most current principal business address of which the notifying party has been notified. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) shall be deemed delinquent. You may change the person and/or address for notice only by giving us thirty (30) days' prior written notice.

Any notice that we send to you may be sent only to the one (1) person identified above, even if you have multiple owners. You acknowledge and agree that notice to the person identified above constitutes notice to you and to all the owners of Franchisee.

21. ACKNOWLEDGEMENTS.

a. You acknowledge that you have read this Agreement and our Franchise Disclosure Document; and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards and thereby to protect and preserve the goodwill of the Marks and the HuHot System. You acknowledge that you have conducted an independent investigation contemplated by this Agreement and recognize that it involves business risks and that the success of the venture is largely dependent upon your business abilities. You further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining the Franchise. You further acknowledge that you understand that, other than what is contained in our Franchise Disclosure Document: (a) that we do not furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a HuHot Restaurant; (b) that we do not authorize our salespersons, officers, employees or other representatives to furnish such information, and (c) that you have not received any such information, either oral or written, concerning the actual or potential sales, costs, income or profits of a HuHot Restaurant.

b. You acknowledge that we are primarily engaged in the business of licensing rights. You further acknowledge that you shall operate the HuHot Restaurant for itself and not for us. You shall provide products and services for your customers and not for us.

c. You expressly acknowledge that we are not your employer or an employer of any of your employees. In addition, we are not a "joint employer" with you. You shall be the sole employer of your employees and shall be solely responsible for the hiring, firing, compensation, scheduling of work and performance evaluation of any and all persons employed by you. You are solely responsible for establishing your own employee relations policies and the handling any disciplinary matters that may arise. Unless a critical need arises, we shall not have access to your employer or employee records.

d. Notwithstanding our requirement set forth in Section 9.e. of this Agreement, that your manager(s) attend our training program, you shall be solely responsible for training your own employees.

e. You acknowledge our training, guidance, advice and recommendations, your obligations under this Agreement, and the standards or specifications we require, are imposed not for the purpose of exercising control of you, but rather for the limited purposes of protecting our proprietary marks, goodwill and brand consistency. You are solely responsible for the management of the HuHot Restaurant as an independent franchise owner/operator. You are solely responsible for your own investigation of and compliance with all laws and regulations to which you or the HuHot Restaurant is subject. If your or the HuHot Restaurant's compliance with such laws or regulations require, you shall

automatically be entitled to a variance of any standard, specification, requirement, term or condition imposed hereunder for such compliance. We do not represent that any of the training, guidance, advice or recommendations which we provide, or the standards, specifications, requirements or restrictions which we impose (all of which are provided or imposed for the protection of the proprietary marks, goodwill and brand consistency), comply with the laws and regulations to which you or the HuHot Restaurant may be subject.

22. **ELECTRONIC SIGNATURE AND DELIVERY**

This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, email or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

Signature page to follow

23. CERTIFICATION OF OWNERSHIP OF FRANCHISEE

By executing this Agreement, Franchisee is certifying that all the equity owners of the Franchisee entity are listed on Rider C to this Agreement. Franchisee agrees to notify Franchisor in writing in the event of any changes in the ownership of the Franchisee entity. In the event additional persons become owners of Franchisee, Franchisee will cause such persons to execute Rider C, and to deliver the revised Rider C to Franchisor.

24. SPOUSAL GUARANTY

In the event that there is involvement in the franchised business by the spouse of Franchisee, or if Franchisee of a legal entity, by the spouse of any owner, each such spouse must execute the Guaranty and Assumption of Obligations attached as Rider C, as if each spouse were an original party to this Agreement in his or her individual capacity. Franchisor shall make the final determination whether a spouse of Franchisee or of an owner of Franchisee must sign the Guaranty and Assumption of Obligations.

IN WITNESS WHEREOF the parties hereto have executed, sealed, and delivered this Agreement in two (2) counterparts effective on the day and year first above written.

THIS AGREEMENT IS NOT EFFECTIVE UNLESS AND UNTIL ACCEPTED BY THE FRANCHISOR, AS EVIDENCED BY DATING AND SIGNING BY AN OFFICER OF FRANCHISOR.

Franchisor:
HUHOT MONGOLIAN GRILLS, L.L.C.,
a Montana limited liability company

Franchisee:
Corporate Signature)

By: _____
Title: _____
Date Accepted: _____

By: _____
Title: _____
Date Signed: _____

Individual Signatures:

RIDER A to FRANCHISE AGREEMENT

FRANCHISEE'S LOCATION

The parties hereto agree that the HuHot Restaurant to be operated by Franchisee pursuant to the Franchise Agreement shall be located at the following premises:

You acknowledge and agree that our approval of the premises for the Restaurant and any information communicated to you regarding the premises for the Restaurant do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the premises for a HuHot Restaurant, of the economic terms of the lease or sublease, or for any other purpose. Our approval of the premises indicates only that we believe that the premises falls within the acceptable range under criteria applied by us as of the time period encompassing the evaluation. Both you and we acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and premises. The uncertainty and instability of such criteria are beyond our control and you agree that we will not be responsible for the failure of a site and premises approved by us to meet expectations as to potential revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for the operation of a HuHot Restaurant at the above premises is based on your own independent investigation of the suitability of the premises.

HUHOT MONGOLIAN GRILLS, L.L.C.

a Montana limited liability company

By: _____

Title: _____

Franchisee

Franchisee

Franchisee

Franchisee

Franchisee

RIDER B to FRANCHISE AGREEMENT

FRANCHISEE'S PROTECTED AREA

Franchisee's Protected Area shall be that area located:

HUHOT MONGOLIAN GRILLS, L.L.C.
a Montana limited liability company

By: _____

Title: _____

Franchisee

Franchisee

Franchisee

Franchisee

Franchisee

RIDER C to FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____
day of _____, _____, by _____.

In consideration of, and as an inducement to, the execution of that certain HuHot Franchise Agreement of even date herewith (the "Agreement") by HuHot Mongolian Grills, LLC (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.f. and 16.d.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which 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 shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP OF FRANCHISEE
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%

RIDER D-1 to FRANCHISE AGREEMENT

Joinder and copy of SpenDifference Participation Agreement

**JOINDER TO
SPENDIFFERENCE PARTICIPATION AGREEMENT**

WHEREAS, pursuant to that certain SpenDifference Participation Agreement dated as of January __, 2011 (the "Participation Agreement") between SpenDifference, LLC ("SpenDifference") and HuHot Mongolian Grills, LLC ("Participant"), Participant uses the services of SpenDifference and purchases products and services for its HuHot Restaurants from SD Vendors under SD Vendor Agreements (all initial capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Participation Agreement); and

WHEREAS, the undersigned franchisee ("Franchisee") is a franchisee of Participant and operates a HuHot Restaurant at the following location(s) (collectively, the "Restaurants") under one or more franchise agreements with Participant (collectively, the "Franchise Agreements"):

_____; and

WHEREAS, Franchisee desires to participate in the Participation Agreement as a Participating Franchisee and, in order to induce SpenDifference and Participant to allow Franchisee to do so, agrees to the terms of this Joinder.

NOW, THEREFORE, to induce Participant to enter into the Participation Agreement and to enable Franchisee to participate in the Participation Agreement as a Participating Franchisee, Franchisee agrees as follows:

1. **Joinder.** Franchisee hereby joins and agrees to be bound by, and liable for the breach of, all obligations of Participant under the Participation Agreement as if Franchisee were the Participant thereunder, (including, without limitation, the obligations in Sections 2(b), 2(c), 2(d), 4, 5(a), 5(b), 6 and 13) with respect to Franchisee's HuHot Restaurants. Franchisee shall be entitled to the rights afforded to Participating Franchisees under the Participation Agreement (but not rights afforded only to Participant under the Participation Agreement) with respect to Franchisee's HuHot Restaurants, provided that Franchisee complies with its obligations under the Participation Agreement and this Joinder.

2. **Termination.** Franchisee may terminate this Joinder and its obligations under the Participation Agreement as of the end of the Initial Term or the then current Renewal Term by delivering written notice to SpenDifference at least 90 days before it expires. Participant may terminate this Joinder and Franchisee's rights under the Participation Agreement at any time if Franchisee is then in default of any of its obligations under this Joinder, the Participation Agreement or any Franchise Agreement or related agreement with Participant. This Joinder, together with Franchisee's rights under this Joinder and the Participation Agreement, terminate automatically, without notice, with respect to each Restaurant effective upon the transfer, termination or expiration of the Franchise Agreement for that Restaurant. When this Joinder terminates or expires, Franchisee agrees to comply with all obligations of Participant under the Participation Agreement that expressly or by their nature survive the Participation Agreement's termination.

3. **General.** The Recitals above are incorporated herein by this reference. This Joinder is an amendment to, and forms part of, the Franchise Agreements. This Joinder, together with the Participation Agreement and the Franchise Agreement, constitutes the entire agreement between Franchisee and Participant, and there are no oral or other written understandings, representations or agreements between Franchisee and Participant, relating to the subject matter of this Joinder. No modification, change or amendment of this Joinder shall be effective unless in writing and executed by all parties. If there is a conflict between any provision of the Participation Agreement and a provision of this Joinder, the provision of this Joinder controls.

IN WITNESS WHEREOF, this Joinder shall be deemed executed and made in as of this ____ day of _____, 201__ and shall be irrevocable and binding upon the successors and assigns of the undersigned.



SPENDIFFERENCE PARTICIPATION AGREEMENT

This Participation Agreement (this "Agreement") is made between Spendifference, LLC, a Colorado limited liability company ("Spendifference"), with an address of 12015 E. 46th Ave., Suite 300, Denver, CO 80239, and HuHot Mongolian Grills, LLC ("Participant"), with an address of 223 East Main Street, Missoula, MT 59802, effective as of _____, 2011 (the "Effective Date").

RECITALS

A. Spendifference pursues third party contracting of supply chain services to the restaurant industry by negotiating contracts or other agreements with product manufacturers, suppliers, service providers, vendors and distributors based in part on the aggregate volume of purchases by its clients. Spendifference's clients are entitled to purchase or otherwise acquire products or services on terms negotiated by Spendifference.

B. The product manufacturers, suppliers, service providers, vendors, distributors and other parties with which Spendifference enters into contracts or other agreements from time to time are referred to in this Agreement as "SD Vendors." Such contracts and other agreements are referred to in this Agreement as "SD Vendor Agreements."

C. Participant operates one or more sit-down restaurants offering Asian-style cuisine cooked on a grill and related products and services that operate under the "HuHot Mongolian Grill" name ("HuHot Restaurants"). Participant also grants franchises to third parties who are not affiliates of Participant ("Franchisees") to develop and operate HuHot Restaurants under franchise agreements with Participant.

D. Participant desires to be a client of Spendifference and to purchase, and allow its affiliates and Franchisees to purchase, products and/or services under SD Vendor Agreements.

NOW, THEREFORE, in consideration of the mutual covenants and agreements below, the parties, intending to be legally bound, do hereby agree as follows:

1. **Participation.** To purchase under SD Vendor Agreements, Participant must sign this Agreement and comply with its terms and provisions. Participant's Franchisees may purchase under SD Vendor Agreements if Participant (at its expense) signs a joinder or other agreement with the Franchisee substantially in the form of Exhibit A (a "Joinder") under which the applicable Franchisee agrees with Participant to join and be bound by Participant's obligations and the terms of this Agreement with respect to that Franchisee's HuHot Restaurants. The Franchisees who are operating under Joinders then in effect are called the "Participating Franchisees." Participant agrees to use commercially reasonable efforts to enforce the Participating Franchisees' compliance with the Joinders in effect from time to time. Upon

notice to SpenDifference, Participant may add to this Agreement as a Participating Franchisee any Franchisee who signs a Joinder and may remove from this Agreement any Participating Franchisee who is in default under this Agreement, the Joinder or a Franchise Agreement or related agreement with Participant or whose Franchise Agreement with Participant terminates or expires.

2. SD Vendor Agreements.

(a) Participant desires for it and its Participating Franchisees to become entitled to purchase or otherwise acquire products and services in the categories (the "Categories") listed on Exhibit B (all such products and services are referred to herein as the "Items") under SD Vendor Agreements. Subject to the terms of this Agreement, SpenDifference has entered into and/or shall use good faith efforts to enter into SD Vendor Agreements under which Participant and its Participating Franchisees shall be authorized to purchase Items at the pricing and upon the other terms and conditions negotiated by SpenDifference. Exhibit B may be amended from time to time upon the mutual agreement of Participant and SpenDifference.

(b) Commencing with the date nine (9) months from the Effective Date, Participant shall use all commercially reasonable good faith efforts to purchase Items in each Category under SD Vendor Agreements during each calendar year which cost, in the aggregate, an amount equal to at least 70% of the aggregate annual amount (in U.S. dollars) that Participant spent on Items in that Category during the previous calendar year (with such amounts prorated for the 2011 calendar year), provided that SpenDifference has entered into SD Vendor Agreements in compliance with Section 2(d) under which Participant can meet such 70% requirement.

(c) Each purchase order or other agreement to purchase issued by Participant to an SD Vendor for Items shall constitute Participant's continuing agreement to the applicable terms and conditions, including, without limitation, pricing and payments obligations, of the SD Vendor Agreement under which the purchase is made. SpenDifference is not responsible for complying with such terms and conditions. In furtherance, and not in limitation, of the foregoing, Participant shall pay or cause to be paid when and as due any amount owed by Participant to an SD Vendor under any SD Vendor Agreement, subject to Participant's rights to dispute such amounts in good faith.

(d) Subject to compliance with Sections 2(b) and 2(c), neither Participant nor any Participating Franchisee shall be required nor obligated to purchase or acquire any particular amount of an Item or to spend a certain amount of money with any SD Vendor. Neither Participant nor any Participating Franchisee shall be required to purchase or acquire Items that do not meet and conform to the written standards and specifications that Participant periodically determines (in its sole judgment) for type, quality, consistency or performance of products or services to the extent they have been communicated to SpenDifference in writing.

(e) SpenDifference does not have authority to bind Participant or make any other commitment or obligation on behalf of Participant or any Participating Franchisee without Participant's or the Participating Franchisee's prior written consent. Any contracts or other agreements that create any firm commitment or binding obligation of Participant or any Participating Franchisee to an SD Vendor shall be executed directly by Participant or the Participating Franchisee (as applicable). Subject to the foregoing, upon request by SpenDifference, Participant shall execute the form "Authorization to Negotiate" attached hereto as Exhibit C, which may be delivered by SpenDifference to prospective SD Vendors. Upon reasonable request by Participant, and subject to applicable confidentiality obligations, SpenDifference shall provide to Participant a copy of the applicable provisions of each SD Vendor

Agreement that either obligate Participant and/or grant rights to an SD Vendor relating to or affecting Participant or a Participating Franchisee.

(f) SpenDifference shall provide reports to Participant as described in Exhibit D attached to this Agreement.

3. Term and Termination.

(a) The initial term ("Initial Term") of this Agreement shall be for a period of one year beginning as of the Effective Date. Either SpenDifference or Participant may terminate this Agreement at the end of the Initial Term by written notice to the other party given at least ninety (90) days prior to the end of the Initial Term. If no such notice is given, this Agreement shall automatically renew for a two-year period and thereafter for successive one-year periods (each a "Renewal Term," and, together with the Initial Term, the "Term") unless and until terminated at the end of the then current Renewal Term by either SpenDifference or Participant giving written notice to the other party at least 90 days prior to the end of the then-current Renewal Term. In addition, if neither Participant nor SpenDifference delivers such notice at the end of the Initial Term or then current Renewal Term, any then Participating Franchisee may, by delivering written notice to SpenDifference before the start of the next Renewal Term, elect not to participate under this Agreement during the next Renewal Term. Upon termination or expiration of this Agreement at the end of the Term, this Agreement shall terminate and neither party shall have any rights or obligations hereunder except (i) for such rights or obligations that have accrued prior to such termination (including, without limitation, any obligations to make payments), and (ii) the provisions of Sections 3(c), 6, 7 and 10-14 shall survive in accordance with their respective terms.

(b) Notwithstanding the foregoing, either party may terminate this Agreement during the Term upon written notice, and pursue its available remedies, if the other party is in breach of this Agreement and fails to cure such breach within thirty (30) days after written notice from the non-breaching party specifying the breach; *provided, however*, that the non-breaching party may terminate this Agreement sooner upon written notice if the breach is material and the breaching party acknowledges in writing that the breach is incapable of being cured within such thirty (30) day period.

(c) If either party gives notice of non-renewal of this Agreement at the end of the Term pursuant to Section 3(a) or Participant terminates this Agreement due to a breach of this Agreement by SpenDifference pursuant to Section 3(b), Participant may continue to purchase Items pursuant to SD Vendor Agreements until the earliest to occur (i) six (6) months after termination of this Agreement, (ii) until expiration of the Term, if sooner, or (iii) until the expiration or other termination of the applicable SD Vendor Agreement pursuant to the terms of such SD Vendor Agreement as applicable to Participant. All such purchases shall be at the SD Vendor's standard pricing or other pricing as may be agreed between the SD Vendor and Participant. If SpenDifference terminates this Agreement due to a breach of this Agreement by Participant, Participant shall have no further rights under this Agreement, including no further rights to purchase Items under any SD Vendor Agreement without SpenDifference's prior written consent. Termination of this Agreement for any reason shall not relieve Participant of any obligations it may have under any SD Vendor Agreements, and nothing in this Agreement shall be deemed to modify, amend or supersede the terms of any SD Vendor Agreement. Notwithstanding the foregoing or any other provision of this Agreement, Participant shall not be restricted from purchasing from any third party (including, without limitation, any SD Vendor) after expiration or termination of this Agreement upon such terms and conditions as it may negotiate directly. Upon expiration or termination of this Agreement, SpenDifference will provide supplier contact information to Participant and the Participating Franchisees to assist them in transitioning their procurement services to another provider.

4. **SpenDifference's Compensation.** Amounts paid to SD Vendors by Participant and its Participating Franchisees shall include a fee due and payable to SpenDifference as consideration for its services provided under this Agreement (the "Administrative Fee"). Such Administrative Fee is the only compensation, credit, or rebate that SpenDifference shall receive from Participant or any Participating Franchisee, SD Vendor or other third party for its services to Participant and the Participant's Franchisees under this Agreement. The amount of the Administrative Fee shall be as follows based on the classification of the Item as follows (with terms used in this Section 4(a) defined below in Section 4(b)):

(i) for Existing Items or Replacement Items purchased under SD Vendor Agreements (other than cooking oil), the Administrative Fee equals (A) three-quarters of one percent (0.75%) of the Net Supplier Revenue on the Item, if the Save for the Item at the time of purchase is two percent (2%) or less, or (B) thirty-five percent (35%) of the Save for the Item, if the Save for the Item at the time of purchase exceeds two percent (2%).

(ii) for New Items purchased under SD Vendor Agreements (other than cooking oil), the Administrative Fee equals (A) two percent (2%) of the Net Supplier Revenue on the Item if Participant or the Participating Franchisees purchase such New Item under an SD Vendor Agreement that was in effect with respect to SpenDifference's other clients at least six (6) months before Participant and its Participating Franchisees first began buying such New Item, or (B) one percent (1%) of the Net Supplier Revenue on the Item if Participant or the Participating Franchisees purchase such New Item under an SD Vendor Agreement that first comes in to effect within six (6) months before, on or after the date upon which Participant or any Participating Franchisee first begins buying such New Item.

(iii) for cooking oil, an amount equal to one percent (1%) of the Net Supplier Revenue on the cooking oil, in lieu of any other Administrative Fee payable under Section 4(a)(i) or (ii).

For the avoidance of doubt, SpenDifference shall receive Administrative Fees based only on Items that Participant and its Participating Franchisees purchase from SD Vendors pursuant to SD Vendor Agreements, and shall receive no Administrative Fees based on Items that Participant or its Franchisees purchase from vendors who are not SD Vendors or from SD Vendors under Existing Relationships (defined in Section 5(a)) which do not involve any SD Vendor Agreement or any Save (but SpenDifference will receive Administrative Fees based on purchases from SD Vendors which involve Existing Relationships if SpenDifference is able to generate a Save and allow Participant or the Participating Franchisees to purchase those Items under an SD Vendor Agreement).

(b) For purposes of this Section 4:

(i) "Existing Items" means Items in the Categories that either Participant or any Franchisee purchased for use at or sale by any HuHot Restaurant during the ninety (90)-day period before the Effective Date, regardless of whether the Existing Item is purchased from an SD Vendor or another vendor.

(ii) "Replacement Items" means Items in the Categories that neither Participant nor any Franchisee purchased for use at or sale by any HuHot Restaurants during the ninety (90)-day period before the Effective Date, and which Participant and Participating Franchisees will purchase after the Effective Date from SD Vendors under SD Vendor Agreements as a replacement or substitute for one or more Existing Items.

(iii) "New Items" means Items in the Categories that neither Participant nor any Franchisee purchased for use at or sale by any HuHot Restaurants during the ninety (90)-day period before the Effective Date, and which are not reasonably considered to be a replacement or substitute for one or more Existing Items (such as, for example, a new menu item).

(iv) "Net Supplier Revenue" on any Item means the amount that Participant or the Participating Franchisee (as applicable) pays to the SD Vendor for the landed cost of the Item purchased pursuant to the SD Vendor Agreement, less any rebates that such SD Vendor provides to Participant or the Participating Franchisee.

(v) "Save" on any Item means the amount, reflected as a percentage, equal to (A) the difference between (1) the Net Supplier Revenue for the Item, calculated on an Item-by-Item basis (but after considering all reasonably available volume and other rebates and credits), that Participant or the Participating Franchisees pay for the Item as of the Effective Date, less (2) the Net Supplier Revenue for the Item, calculated on an Item-by-Item basis (but after considering all reasonably available volume and other rebates and credits), that Participant or the Participating Franchisees then pay to the SD Vendor under the SD Vendor Agreement for that Item, divided by (B) the amount in (1) above, then multiplied by (C) one hundred percent (100%). If a Replacement Item has a greater or lesser functionality or quality than the Existing Item that it replaces, then Participant and SpenDifference will negotiate in good faith to modify the amount of the New Supplier Revenue (calculated on an Item-by-Item basis in accordance with (1) above) for the Existing Item to reflect the Replacement Item's functionality or quality in order to calculate the Save for that Replacement Item.

(c) All Administrative Fees shall be generated from proceeds paid by Participant and its Participating Franchisees to SD Vendors and shall be contracted for between SpenDifference and each SD Vendor. Neither Participant nor any Participating Franchisee shall be liable for any Administrative Fees that are not paid to SpenDifference by an SD Vendor when due as long as Participant or the Participating Franchisee (as applicable) has timely paid all amounts due and owing to an SD Vendor, except to the extent nonpayment relates to amounts claimed to be due and owing by an SD Vendor as to which Participant or the Participating Franchisee (as applicable) is actively and in good faith disputing the validity thereof. Participant shall provide SpenDifference with such information regarding any dispute between Participant and an SD Vendor as SpenDifference may reasonably request.

(d) Participant acknowledges that SpenDifference is entering into this Agreement with Participant but will not have a direct contractual relationship with the Participating Franchisees. Therefore, if a Participating Franchisee fails to pay amounts owed to an SD Vendor (other than amounts which the Participating Franchisee is actively and in good faith disputing the validity thereof) within sixty (60) days after those amounts were due and payable, then SpenDifference may notify Participant of the failure. Participant agrees to pay SpenDifference on behalf of the Participating Franchisee, within thirty (30) days after receiving such notice, an amount equal to the Administrative Fees that SpenDifference would have collected from the SD Vendor had the Participating Franchisee paid such amounts when they were due and payable. Following Participant's payment of such Administrative Fees, SpenDifference shall have no further claim against the Participating Franchisee, the SD Vendor, Participant or any other person or entity with respect to those Administrative Fees or any Liabilities or Expenses (defined in Section 6(a)) associated with the Participating Franchisee's failure to pay such amounts. SpenDifference agrees to provide Participant all information and other assistance that Participant reasonably requests in connection with its efforts to collect such Administrative Fees from the Participating Franchisee.

5. **SpendDifference Vendor Relationships.** Participant acknowledges and agrees that SpendDifference has expended and will expend significant time and resources to identify appropriate SD Vendors and to negotiate SD Vendor Agreements for the benefit of Participant and other participants, and hereby agrees that, during the Term, Participant will not engage any other third party to negotiate the commercial terms of, and enter into, vendor agreements or similar procurement arrangements on behalf of Participant and the Participating Franchisees relating to Items in the Categories, except (subject to Section 4) with respect to relationships with vendors (and their affiliates) that provide or provided products or services to HuHot Restaurants on or before the Effective Date (“Existing Relationships”). In addition, Participant covenants and agrees that, during the Term, without SpendDifference’s prior written consent and except with respect to Existing Relationships, it shall not (a) negotiate or enter into any purchasing or other contract or agreement, partnership, joint venture, alliance or other relationship, written or otherwise, with any SD Vendor with respect to any Items in the Categories, or (b) purchase or otherwise acquire from or through any SD Vendor any other goods or services except pursuant to an SD Vendor Agreement.

(b) If Participant breaches Section 5(a) and does not cure the breach (by ceasing any future activity prohibited by Section 5(a)) within thirty (30) days after SpendDifference delivers written notice of such breach to Participant, then, in addition to any other remedies available to SpendDifference at law or in equity, Participant shall compensate SpendDifference in an amount equal to the aggregate Administrative Fees (if any) that would have been generated by Participant’s purchasing volume in the absence of such breach for a period equal to what would have been earned in the six (6) month period immediately following such breach for the Item or SD Vendor Agreement which was the subject of such breach. Promptly following SpendDifference’s request in these circumstances, Participant shall provide SpendDifference with monthly reports detailing Participant’s actual purchases of Items in the Categories from SD Vendors, whether direct or indirect, and whether made pursuant to this Agreement or otherwise, from each SD Vendor. Such monthly reports shall include Items purchased or otherwise acquired, quantity, date of purchase, and all applicable pricing and payment information, and shall be certified as true and correct on behalf of Participant by an authorized officer of Participant.

(c) In addition to identifying SD Vendors, negotiating SD Vendor Agreements, and providing the other services outlined in this Agreement to Participant and the Participating Franchisees, SpendDifference agrees to provide the following services to Participant and the Participating Franchisees during the Term, without payment of any additional compensation (other than the Administrative Fees):

(i) account management services, including, without limitation, assisting Participant and the SD Vendors with support relating to purchasing activities;

(ii) price audit and contract management services, currently utilizing SpendDifference’s “Arrowsteam” program and processes, to audit and verify the SD Vendor’s compliance with the SD Vendor Agreements and other agreements under which Participant or the Participating Franchisee purchases products or services from the SD Vendor;

(iii) providing options for Participant and the Participating Franchisees to lower costs for, and otherwise improve, freight and other logistics services for Items in the Categories; and

(iv) recommending risk management strategies and other procurement strategies to help lower overall costs to Participant and the Participating Franchisees for Items in the Categories.

6. **Indemnification.**

(a) Participant hereby agrees to indemnify and hold harmless SpenDifference and its affiliates, and their respective directors, officers, agents, members, shareholders, employees, attorneys and accountants (each such entity or person is referred to herein as an "SpenDifference Indemnified Person") from and against any losses, claims, suits, investigation, actions, proceedings, damages, judgments, assessments, costs and other liabilities (collectively "Liabilities"), and will reimburse each SpenDifference Indemnified Person for all fees and expenses, including the reasonable fees and expenses of counsel (collectively, "Expenses"), as they are incurred, in defending any such actual Liabilities, arising out of or in connection with any breach or other failure to comply by Participant relating to this Agreement or an SD Vendor Agreement.

(b) SpenDifference hereby agrees to indemnify and hold harmless Participant and their respective directors, officers, agents, members, shareholders, employees, attorneys and accountants (each such entity or person is referred to herein as a "Participant Indemnified Person") from and against any Liabilities incurred by the Participant Indemnified Parties, and will reimburse each Participant Indemnified Person for all Expenses, as they are incurred, in defending any such actual Liabilities, arising out of or in connection with any breach or other failure to comply by SpenDifference relating to this Agreement or an SD Vendor Agreement.

7. **Notices.** Unless otherwise stated, the parties shall be noticed at the respective addresses listed on the first page of this Agreement, or to any other address as designated by one party upon notice to the other party. All notices to be given under the Agreement shall be in writing and shall be served either personally, with such personal delivery evidenced by a receipt, by U.S. mail, first-class postage prepaid and sent registered or certified mail, or by overnight courier with charges prepaid. All notices shall be effective upon delivery, or the next business day thereof if delivered after the close of business or on a non-business day.

8. **Promotional Permission.** Subject to Participant's prior consent, not to be unreasonably withheld, delayed or conditioned, SpenDifference may use Participant's name and logo in SpenDifference's promotional, sales and marketing materials, including, but not limited to, press releases, brochures, reports, letters, white papers, and electronic media such as e-mail and Web pages.

9. **Assignment.** Neither party may assign this Agreement without the other party's prior written consent, which consent shall not be unreasonably withheld or delayed, and any attempt to assign this Agreement without such consent shall be void; *provided, however*, that either party shall have the right to assign this Agreement to any person or entity that acquires or succeeds to all or substantially all of such party's business or assets upon written notice to the other party and written agreement by such acquiring or succeeding person or entity to assume and agree to be bound by the terms and conditions of this Agreement.

10. **Dispute Resolution.** Except for actions under Section 13 or other claim for equitable relief, the parties shall make every reasonable attempt to resolve any dispute between them through good faith negotiations by persons with authority to resolve such dispute for at least forty five (45) days after one party has requested such negotiations in writing before either party may file a complaint or other commence other judicial action or relief.

11. **Governing Law, Jurisdiction and Waiver Of Jury Trial.** This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Colorado, without regard to its provisions concerning choice of laws, choice of forum or any principle that might

otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction of the federal or state courts located in Denver, Colorado, to hear any action of suit arising out of the Agreement or related matters. Neither party shall raise, and the parties hereby waive, any defenses based upon venue, inconvenience of forum, lack of personal jurisdiction, improper service of process or the like in any such action or suit. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES EACH HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY MATTER ARISING UNDER OR IN ANY WAY RELATED TO THIS AGREEMENT.

12. **Liability Disclaimer.** Except as expressly set forth in this Agreement, neither party to this Agreement, including its subsidiaries, and affiliates, and their directors, officers, managers, members, agents and employees shall be liable to the other party or its subsidiaries, affiliates or their directors, officers, managers, members, agents or employees for any act, or failure to act, in connection with this Agreement. SpenDifference shall not have any liability to Participant or any Participating Franchisees for any failure of an SD Vendor to perform in any way under any SD Vendor Agreement, and except as set forth in Section 4(c) of this Agreement, Participant shall not have any liability to SpenDifference for any failure of a Participating Franchisee to perform in any way under any SD Vendor Agreement, this Agreement or any Joinder. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER SPENDIFFERENCE NOR PARTICIPANT MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, REGARDING ITS PERFORMANCE UNDER THIS AGREEMENT OR UNDER ANY SD VENDOR AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR OF MERCHANTABILITY.

13. **Confidentiality.**

(a) Each party acknowledges that it has access (the "Receiving Party") to nonpublic information relating to the other party (the "Disclosing Party"), including commercial arrangement(s) with SD Vendors, other suppliers and other SpenDifference clients, including, but not limited to, client and vendor lists, price lists, fee and compensation structure, business contracts, processes, plans, methods of doing business, data, compilations, programs, devices, reports, analyses, techniques, and financial data (collectively, "Confidential Information"). The Receiving Party acknowledges that the Confidential Information is the property solely of the Disclosing Party or a third party and may constitute trade secrets and other Confidential Information of the Disclosing Party or such third party. The Receiving Party acknowledges and agrees that (i) it shall use the Confidential Information solely in connection with this Agreement and the transactions contemplated hereby, including, without limitation, disclosure to Participating Franchisees and (ii) its use of any Confidential Information for any reason or purpose other than in connection with this Agreement and the transactions contemplated hereby, or its disclosure or communication of any Confidential Information to any individual, firm, company or other entity, would cause the Disclosing Party irreparable harm. Accordingly, except as otherwise provided in this Agreement, the Receiving Party shall not copy, reproduce, use, disseminate or in any other fashion appropriate any Confidential Information except as expressly permitted under this Agreement, and shall maintain, protect and keep the confidentiality of the Confidential Information. The Receiving Party shall advise its officers, directors, employees, and its applicable subsidiaries and affiliates of the confidentiality requirements of this Section 13 and shall be responsible for and liable to the Disclosing Party for any breach of this Section 13 by any such persons or entities to whom it provides Confidential Information.

(b) The obligation of confidentiality in this Section 13 does not apply to any Confidential Information that (i) is publicly available at the time of its disclosure to the Receiving Party or subsequently becomes publicly available other than through the Receiving Party or by a breach of any

confidentiality obligation of any other person or entity; (ii) is disclosed to the Receiving Party by a third party who was not subject to any duty of non-disclosure or confidentiality with respect to such Confidential Information; or (iii) is required to be produced by the Receiving Party pursuant to legal process, or under a court or government agency order to be produced; *provided, that*, the Receiving Party shall immediately notify the Disclosing Party of the request or order so that the Disclosing Party has a timely opportunity to seek a protective order or equivalent. The Receiving Party shall return to the Disclosing Party all Confidential Information in its or its Affiliate's possession promptly upon request at any time during the Term or after termination of this Agreement for any reason.

14. **General.** SpenDifference is an independent contractor of Participant, and nothing in this Agreement shall be construed to make the parties partners or joint venturers, nor shall either party so represent to any third person. This Agreement supersedes any and all previous agreements and contains the full and entire agreement between the parties hereto with respect to the subject matter hereof and no prior oral or written understanding is of any force or effect whatsoever except as otherwise provided herein. Any modifications to this Agreement must be in writing and signed by a duly authorized agent of each party to be effective. Waiver of any provision of this Agreement shall not constitute a waiver of any other provision, nor shall such waiver constitute a continuing waiver. This Agreement shall be binding upon and shall inure to the benefit of the parties, and their respective successors and assigns. This Agreement may be executed in any number of counterparts, all of which shall be deemed to be an original, and all of which, taken together, shall constitute one and the same instrument. Facsimiles of signatures shall have the same force and effect as the originals thereof. Each party represents and warrants that it has the requisite power and authority to enter into this Agreement and that the party executing the Agreement on behalf of each party is authorized to enter into this Agreement to constitute a valid and legally binding document of such party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each party hereto has executed this Agreement, or has caused this Agreement to be executed, by its duly authorized representative, effective as of the date first written above.

SPENDIFFERENCE, LLC

By: _____

Print Name: _____

Title: _____

HUHOT MONGOLIAN GRILLS, LLC

By: _____

Print Name: _____

Title: _____



AMENDMENT TO SPENDIFFERENCE PARTICIPATION AGREEMENT

This Amendment to Participation Agreement (this "Amendment") is made as of March 14, 2014 (the "Amendment Date") by and between SpenDifference, LLC, a Colorado limited liability company ("SpenDifference"), with an address of 12015 E. 46th Ave., Suite 300, Denver, CO 80239, Attention: Maryanne Rose; facsimile: (303) 531-2700, and HuHot Mongolian Grills, LLC ("Participant"), with an address of 223 East Main Street, Missoula, MT 59802, attention: JEFF MARTIN; facsimile: 303-583-9588. The Effective Date of this Amendment (the "Amendment Effective Date") shall be April 1, 2014, notwithstanding its actual date of execution.

RECITALS

A. SpenDifference and Participant previously entered into that certain Participation Agreement with an Effective Date of Jan 11, 2011 (the "Participation Agreement") pursuant to which SpenDifference provides to Participant and its Affiliates certain group purchasing and other supply chain services.

B. SpenDifference and Participant now desire to amend the Participation Agreement on and subject to the terms set forth below in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements below, the parties, intending to be legally bound, do hereby agree as follows:

1. The second sentence of Section 3)(a) of the Participation Agreement is hereby amended and restated in its entirety as follows:

"Following the Initial Term, this Agreement shall renew for a period ending April 1, 2017 and then for successive one-year calendar-year periods (each a "Renewal Term," and, together with the Initial Term, the "Term") unless either SpenDifference or Participant gives written notice of termination of this Agreement to the other party at least ninety (90) days prior to the end of the then-current Renewal Term (during which ninety (90) day period the parties will cooperate in good faith to wind down their business relationship established pursuant to this Agreement)."

2. Section 4 "*SpenDifference's Compensation*" of the Participation Agreement is hereby deleted in its entirety and the following is substituted in its place:

4(a) Custom Contract Fees.

Beginning on the Amendment Effective Date, for its services pursuant to the Participation Agreement, SpenDifference shall reduce the current 12 month trailing custom contract fees on Items delivered to Locations by the amounts indicated on Exhibit

I with respect to each of the vendors listed on Exhibit 1 attached hereto and incorporated herein (the "Vendor Fees"). Beginning on each of the next two yearly anniversary Amendment Effective dates (April 1, 2015 and April 1, 2016), SpenDifference will reduce the then current 12 month trailing Vendor Fees an additional 5% per year on Items delivered to Locations with respect to each of the vendors listed on Exhibit 1 and any additional new vendors with custom fees. Exhibit 1 will be amended and updated by mutual agreement of the parties from time to time (which may be evidenced by email communications). Additional items/categories may be added to Exhibit 1 as mutually agreed. Fees for new categories will be 30% of save for year one and follow the fee schedule as stated above.

4(b) Other Compensation

Participant acknowledges, agrees and understands that, in addition to the Vendor Fees, in consideration for other services and purchasing programs provided by SpenDifference or through SpenDifference business partners (e.g., distribution services, entegra, produce) and made available to Participant, SpenDifference will continue to be compensated by any current fees it receives as well as any future fees it may receive from these services and programs. Beginning on the Amendment Effective Date, for its services pursuant to the Distribution Service Agreement with SYSCO, SpenDifference shall reduce the current distribution fee it receives by 10% (effective April 1st, 2014) for the remaining terms of the current distribution agreement. SpenDifference will keep the distribution fee percentage flat under the new distribution agreement set to be negotiated in 2014 unless there is a material negative impact to participant. If so, then parties agree to work in good faith to adjust fees accordingly.

4(c) Fee Reports.

SpenDifference will provide reports summarizing total fees it earned, segmented by service, annually at a business review meeting. However, SpenDifference will not disclose any fees for services it receives from any business partners if disclosure would conflict with the terms of any confidentiality or non-disclosure agreement with any SpenDifference business partners.

3. Except as set forth above, the Participation Agreement shall remain in full force and effect in accordance with its terms. The terms of this Amendment shall control over any conflicting or inconsistent terms or conditions in the Participation Agreement.

4. Terms with initial capital letters not otherwise defined in this Amendment shall have the respective meanings given to such terms in the Participation Agreement.

5. This Amendment may be executed in any number of counterparts, all of which shall be deemed to be an original, and all of which, taken together, shall constitute one and the same instrument. Facsimiles of signatures shall have the same force and effect as the originals thereof for all purposes.

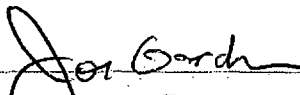
6. Each party represents and warrants that it has the requisite power and authority to enter into this Amendment and that the person executing this Amendment on behalf of each party is authorized to enter into this Amendment, creating a valid and legally binding document of such party.

[SIGNATURE PAGE FOLLOWS]

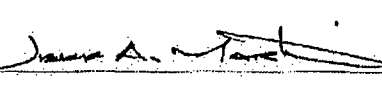


IN WITNESS WHEREOF, each party hereto has caused this Amendment to be executed by its duly authorized representative, effective as of the Amendment Date.

SPENDIFFERENCE, LLC

By: 
Print Name: JOE Gordon
Title: SVP, Supply Chain

HuHot Mongolian Grills, LLC

By: 
Print Name: JEFF A. MARTIN
Title: V.P. - OPERATIONS

JM

EXHIBIT 1**FEE ITEMS**

Vendors	Current Fee/Mo	10%	15%	20%
Golden Pheasant	\$ 10,740.99	\$ 9,666.89	\$ 9,129.84	\$ 8,592.79
Trident Seafoods Corp	\$ 5,737.50	\$ 5,163.75	\$ 4,876.88	\$ 4,590.00
Wolverine Packing Co	\$ 5,410.32	\$ 4,869.29	\$ 4,598.77	\$ 4,328.26
Schwans Food Service Inc	\$ 1,783.52	\$ 1,605.17	\$ 1,515.99	\$ 1,426.82
Klement's Sausage Company	\$ 1,273.80	\$ 1,273.80	\$ 1,273.80	\$ 1,273.80
Slade Gorton	\$ 670.40	\$ 603.36	\$ 569.84	\$ 536.32
Neptune Foods	\$ 404.00	\$ 363.60	\$ 343.40	\$ 323.20
Bunge	\$ 227.76	\$ 204.98	\$ 193.60	\$ 182.21
Sunset Foods, Inc	\$ 163.20	\$ -	\$ -	\$ -
Azar Nut Co	\$ 90.36	\$ -	\$ -	\$ -
Hospitality Mints LLC	\$ 12.80	\$ -	\$ -	\$ -
Grand Total	\$ 26,514.65	\$23,750.84	\$22,502.11	\$21,253.39
% of Current		89.6%	84.9%	80.2%

- 30% of HuHot items under management, but SpenDifference does not currently collect fees.



EXHIBIT A

JOINDER TO SPENDIFFERENCE PARTICIPATION AGREEMENT

WHEREAS, pursuant to that certain SpenDifference Participation Agreement dated as of January __, 2011, as amended March 14, 2014 (the "Participation Agreement") between SpenDifference, LLC ("SpenDifference") and HuHot Mongolian Grills, LLC ("Participant"), Participant uses the services of SpenDifference and purchases products and services for its HuHot Restaurants from SD Vendors under SD Vendor Agreements (all initial capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Participation Agreement); and

WHEREAS, the undersigned franchisee ("Franchisee") is a franchisee of Participant and operates a HuHot Restaurant at the following location(s) (collectively, the "Restaurants") under one or more franchise agreements with Participant (collectively, the "Franchise Agreements"):

_____; and

WHEREAS, Franchisee desires to participate in the Participation Agreement as a Participating Franchisee and, in order to induce SpenDifference and Participant to allow Franchisee to do so, agrees to the terms of this Joinder.

NOW, THEREFORE, to induce Participant to enter into the Participation Agreement and to enable Franchisee to participate in the Participation Agreement as a Participating Franchisee, Franchisee agrees as follows:

1. Joinder. Franchisee hereby joins and agrees to be bound by, and liable for the breach of, all obligations of Participant under the Participation Agreement as if Franchisee were the Participant thereunder, (including, without limitation, the obligations in Sections 2(b), 2(c), 2(d), 4, 5(a), 5(b), 6 and 13) with respect to Franchisee's HuHot Restaurants. Franchisee shall be entitled to the rights afforded to Participating Franchisees under the Participation Agreement (but not rights afforded only to Participant under the Participation Agreement) with respect to Franchisee's HuHot Restaurants, provided that Franchisee complies with its obligations under the Participation Agreement and this Joinder.

2. Termination. Franchisee may terminate this Joinder and its obligations under the Participation Agreement as of the end of the Initial Term or the then current Renewal Term by delivering written notice to SpenDifference at least 90 days before it expires. Participant may terminate this Joinder and Franchisee's rights under the Participation Agreement at any time if Franchisee is then in default of any of its obligations under this Joinder, the Participation Agreement or any Franchise Agreement or related agreement with Participant. This Joinder, together with Franchisee's rights under this Joinder and the Participation Agreement, terminate automatically, without notice, with respect to each Restaurant effective upon the transfer, termination or expiration of the Franchise Agreement for that Restaurant. When this Joinder terminates or expires, Franchisee agrees to comply with all obligations of Participant under the Participation Agreement that expressly or by their nature survive the Participation Agreement's termination.

3. General. The Recitals above are incorporated herein by this reference. This Joinder is an amendment to, and forms part of, the Franchise Agreements. This Joinder, together with the Participation Agreement and the Franchise Agreement, constitutes the entire agreement between Franchisee and Participant, and there are no oral or other written understandings, representations or agreements between Franchisee and Participant, relating to the subject matter of this Joinder. No modification, change or amendment of this Joinder shall be effective unless in writing and executed by all parties. If there is a conflict between any provision of the Participation Agreement and a provision of this Joinder, the provision of this Joinder controls.

IN WITNESS WHEREOF, this Joinder shall be deemed executed and made in as of this __ day of _____, 201__ and shall be irrevocable and binding upon the successors and assigns of the undersigned.

EXHIBIT B

CATEGORIES OF PRODUCTS AND SERVICES

Distribution Services	Opportunity Area	Product Categories – Food	Opportunity Area
Broadline	yes	Dairy Products	yes
Produce	yes	Beef Premium (Boxed and Cut Steaks)	no
Smallwares	no	Beef Frozen	yes
		Poultry	yes
		Pork	yes
Product Categories – Non Food		Seafood	yes
Paper	yes	Oils/Dressings	yes
Disposables	yes	Canned and Dry (excl. sauce mixes)	yes
Smallwares (excl. small equipment)	no	Frozen (Bakery, Sauces, Produce, Misc)	yes
Chemicals and Janitorial Supplies	yes	Frozen Desserts	yes
Restaurant Equipment	no	Fresh Produce	yes

EXHIBIT C

**FORM OF AUTHORIZATION TO RELEASE DATA, NEGOTIATE COMMERCIAL TERMS &
AGREE PRODUCT VOLUME**

Date: _____

To Whom It May Concern:

Pursuant to the terms of a Participation Agreement executed by the undersigned and SpenDifference LLC ("SpenDifference"), the undersigned has appointed SpenDifference to negotiate the commercial terms of manufacturer, supplier and distributor contracts on our behalf, including but not limited to, all pricing and program elements, payment terms and indemnity provisions. All such terms, however, are subject to approval by HuHot Mongolian Grills, LLC.

In addition, we request that our distributors work with SpenDifference to implement regular and timely reporting of purchase transaction data (and other supporting information as necessary) for each and all of our units/accounts/locations/franchisees that purchase products from your organization. A SpenDifference account representative will be contacting you shortly to review the program and answer any questions you may have.

The undersigned requests that you extend full cooperation to SpenDifference during any negotiations on our behalf. In addition, a facsimile of this authorization shall be as effective as an original.

Thank you for your cooperation.

By: _____

Title: _____

Printed Name: _____

Copy to:
SpenDifference, LLC

EXHIBIT D

Reporting	
Quarterly Reporting	• Contract Performance • Forecast of Key Commodity Markets
Semi Annual and Annual Business Reviews	• Contract Performance • Commodity Outlook • Spendifference Fees Collected • Spendifference Impact on COG's • Opportunity Recommendations
Price Verification System by Invoice	

RIDER D-2 to FRANCHISE AGREEMENT

Sysco Agreement
and Franchisee Acceptance Agreement (Exhibit D to this Rider D-2)

**AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT**
(this "Agreement")

Schedule

Distributor: Sysco Corporation
1390 Enclave Parkway
Houston, TX 77077

"Sysco Companies" means the operating subsidiaries, divisions, and affiliated entities of Sysco Corporation which are full-line foodservice distributors. The Sysco Companies are individually referred to herein as a "Sysco Company."

Customer: HuHot Mongolian Grills, LLC
223 East Main Street
Missoula, MT 59802

Sysco Fee, SpenDifference Administrative Fee, Total Fee for all Product Categories
Other than Controlled Price Products

Distribution and Administrative Fees	Sysco Iowa, Sysco Kansas City, Sysco Lincoln	All other Sysco OpCo's
Sysco Fee*	5.82%	5.82%
SpenDifference Administrative Fee	0.21%	0.65%
Total Fee	6.03%	6.47%

Above are exclusive of reverse deviations, Sysco Fee adjustments, or any surcharges or incentives as provided for in this Agreement.

*For Units that are non-committed in the produce Product category (as designated by the applicable Unit in writing), the Sysco Fee for all Products in such category will 9.00% per case. For all Units, the Sell Price for all Products in the supplies and equipment Product category shall be the prevailing market price, as determined by the delivering Sysco Company, in its sole discretion, for its respective market area.

Product Categories:

Dry Groceries
Meat, Poultry and Seafood
Refrigerated and Dairy
Other Frozen
Produce (non-committed for certain Units, as designated by the applicable Unit in writing)
Beverages (without equipment)
Paper / Disposables
Supplies and Equipment (non-committed for all Units served by any Sysco Company)
Chemicals

Date of Agreement: November 1, 2014 ("Effective Date")

Initial Term: Earlier of 3 years or termination of the agreement between
SpenDifference and DISTRIBUTOR

Key Performance Indicators:

Average Delivery Size: ***\$3,380

Other Distribution Parameters:

Minimum Percentage of Orders Placed Electronically 100%

Maximum Deliveries Per Unit Per Week: 2*** per week.

*** Upon the mutual agreement of Customer and the applicable servicing Sysco Company, NuHu Express, HuHot Kalispell, HuHot Missoula, and HuHot Express Fort Collins Units may receive up to 3 deliveries week, and any such Unit receiving 3 deliveries per week shall not be included in the calculation of average delivery size for purposes of this Agreement.

Annual Purchase Volume \$20 Million

Average Number of Deliveries/week calculated on the basis of
deliveries by all Sysco Companies to all Units 2/week

Standard Payment Terms (subject to Section 13.4): 14 days
Prompt payment incentives and extended payment options
with surcharges will be offered as set forth in Exhibit F.

Maximum Number of Proprietary Product SKUs Allowed 45

Minimum Order without Imposition of Small Order Surcharge \$1,900.00

Minimum Case Movement for Proprietary Products

five (5) cases/week;
except with respect to
not more than ten (10)
SKU's of Proprietary
Products, the
minimum case
movement will be one
(1) case/week

Total Number of Units

55

Average Sell Price per "Piece"

\$29.35

Percentage of SYSCO® Brand Purchases to Total
Purchases (by dollar volume)

20%

This Agreement among DISTRIBUTOR, Customer, and SpenDifference, amends and restates, as of the Effective Date set forth on the Schedule above, that certain Distribution Services Agreement dated August 1, 2011. Sysco Corporation, through its participating Sysco Companies (collectively, "DISTRIBUTOR") agrees to provide distribution of the Products and related services to HuHot Mongolian Grills, LLC, a Montana limited liability company ("Customer") and, subject to Section 3.1, Customer's participating franchisees ("Franchisees") for the corporate-owned and franchised restaurants operated under the concepts known as "HuHot Mongolian Grill," "NuHu Express Mongolian Grill," and any other concepts owned and operated by Customer, as mutually agreed among Customer, SpenDifference, and Distributor (such restaurants being collectively known as the "Units") during the Term of this Agreement as follows. Customer is a client of SpenDifference, LLC, a Colorado limited liability company ("SpenDifference"), and Customer is a party to this Agreement by reason of being a client of SpenDifference. As such, SpenDifference has an interest in assuring compliance by Customer and DISTRIBUTOR with the terms and conditions of this Agreement, and, accordingly, is a party to this Agreement and has certain other rights to the extent set forth in Section 24.4. Capitalized terms are defined either in the Schedule or in the section where first used.

1. **Primary Distributor.** Customer and the participating Franchisees will purchase from DISTRIBUTOR, and DISTRIBUTOR will order, purchase, receive, warehouse and distribute for and sell to Customer and its Franchisees not less than 90% of Customer's and such Franchisees' needs for foodservice and related products within each of those categories described on the Schedule attached hereto (collectively, the "Products"); provided however, those Product categories described as "non-committed" on the Schedule will not be subject such purchase requirement. DISTRIBUTOR reserves the right, in its sole discretion, to increase the Sysco Fee, or discontinue services under this Agreement, to Customer or a Franchisee if Customer or the Franchisee, as applicable, fails to meet such purchase requirement. Additionally, Customer and the participating Franchisees will purchase from DISTRIBUTOR at least 130 cases per delivery, as measured on average on an aggregate basis among all Units served under this Agreement, excluding Units receiving three (3) deliveries per week as provided in the "Other Distribution Parameters" section of the Schedule above.
2. **Term of Agreement.** The initial term of the Agreement (the "Initial Term") is as specified on the Schedule, commencing as of the Effective Date. The Initial Term will automatically renew for two successive one-year periods thereafter, unless DISTRIBUTOR or Customer gives notice of non-renewal to the other party at least ninety (90) days prior to the end of the Initial Term or any successive one-year renewal term, subject to automatic termination of this Agreement in the event of the expiration or termination of the agreement between SpenDifference and DISTRIBUTOR (the Initial Term, together with each renewal period shall be referred to as the "Term").
3. **Units/Commencement of Distribution Services.**

- 3.1. Customer and the Franchisees have the right to add Units with a substantially similar service profile within DISTRIBUTOR's then-current distribution service areas (the "Distribution Service Areas") by giving reasonable advance written notice to DISTRIBUTOR. DISTRIBUTOR may condition its distribution services to any Franchisee and its Units upon such Franchisee's completion of a new account application, execution of a Franchisee Acceptance Agreement, in the form attached hereto as Exhibit D, and DISTRIBUTOR's reasonable determination of such Franchisee's creditworthiness for payment terms offered.

3.1.1 Customer and/or Franchisees may, from time to time, close Units and, in such event, will provide commercially reasonable prior notice of such closure to DISTRIBUTOR or, if prior notice is not commercially reasonable, prompt notice following such closure, as soon as practicable. Upon closure, the Customer or Franchisee, whichever is the owner or operator of the closed Unit, will purchase or cause the purchase or other disposition of a pro-rated share of inventory of Products that the delivering Sysco Company for such Unit had procured in reasonable anticipation of sale to such Unit, based upon the ratio of such Unit's historical purchases of Products to total Product sales by the delivering Sysco Company. In addition, and without duplication, the Customer or Franchisee, as the case may be, shall purchase or cause the purchase or other disposition of such quantities of Products that such Franchisee or Customer specifically instructed such delivering Sysco Company to procure for distribution to such Unit. Collectively, the inventory of Products that the Customer or Franchisee specifically directed for a Unit plus the pro-rated share of Products, as described above, are referred to as the "Unit-Related Inventory." The Customer or the Franchisee, as the case may be, shall purchase or cause the purchase or other disposition of Unit-Related Inventory in the manner and subject to the timing and pricing described in Section 17.3; except that the Unit closure date shall be substituted for termination date.

- 3.2. Customer may request DISTRIBUTOR to service Units outside of the Distribution Service Areas. Upon such request, DISTRIBUTOR will use commercially reasonable efforts to provide distribution services to such Units through another Sysco Company that has a service area that includes the area in which such Units are located. In the event that it is not reasonably practicable for DISTRIBUTOR to deliver Products to Units outside the then-existing Distribution Service Areas at prices acceptable to Customer or its Franchisees, through its other Sysco Companies, Customer or its Franchisees may select an alternative distributor for the un-serviced Unit. Any Unit not serviced by DISTRIBUTOR pursuant to this Agreement will not be included in any performance evaluations, including any calculations of average purchases or evaluations of Key Performance Indicators and Other Distribution Parameters.

- 3.3 In addition to the Key Performance Indicators and Other Distribution Parameters set forth in the Schedule, the Sysco Fee is also expressly premised upon the condition that all Units will, except as a result of “Excused Conditions” (as defined below), procure 90% of their respective Product needs in each of the referenced committed categories from DISTRIBUTOR under this Agreement. In the event that Units, other than as a result of the Excused Conditions, do not procure the requisite percentage of Products, or in the event of an unfavorable variance in the Annual Purchase Volume, as set forth in the Other Distribution Parameters, DISTRIBUTOR shall be entitled to adjust the Sysco Fee, in an amount agreed among it, SpenDifference, and Customer, and, failing such agreement within sixty (60) days following notice from DISTRIBUTOR of its request for adjustment in the terms due to a failure of such condition, DISTRIBUTOR shall be entitled to, upon sixty (60) days additional written notice to SpenDifference and Customer, terminate distribution services under this Agreement. For purposes of this Section 3.3, “Excused Conditions” are: (i) the circumstances described in Section 21 relating to Force Majeure conditions that entitle Customer and Franchisees to procure Products from other sources; (ii) the expansion of Units within areas outside of the Distributor’s Service Area, if DISTRIBUTOR is unwilling to service such Units under the terms and conditions of this Agreement and Customer, SpenDifference, and DISTRIBUTOR are unable to agree upon modified terms for such distribution; or (iii) with respect to any Unit, DISTRIBUTOR’s determination that such the owner or operator of such Unit fails to satisfy DISTRIBUTOR’s credit criteria for distribution services.
- 3.4 DISTRIBUTOR shall be entitled to change the designation of the Sysco Companies that provide the Distribution Services following consultation with SpenDifference.
4. **Account Management.** DISTRIBUTOR will appoint a corporate level representative (the “Account Representative”) who will serve as Customer’s primary contact to manage this Agreement. The Account Representative will coordinate the implementation and maintenance of the relationship established by this Agreement, including development of a transition plan, program planning and meetings, development of order guides, development of procedures manuals for the Units, implementation of manufacturer contracts for Products, and review of service levels, inventory management and dispute resolution. The Account Representative will schedule periodic business meetings with SpenDifference and Customer to review the performance of DISTRIBUTOR under the Agreement and the status of the Key Performance Indicators and Other Distribution Parameters described on the Schedule.

5. Usage Reports and Data.

- 5.1. DISTRIBUTOR will furnish Customer with its standard usage reports generated by DISTRIBUTOR's standard web-based order and reporting systems. Upon Customer's request, DISTRIBUTOR will make customized reports available to Customer or its Franchisees to the extent reasonably practicable; provided that, if DISTRIBUTOR will incur additional expense in programming or otherwise preparing customized reports, it shall provide the Customer with an estimate of such expenses and, if Customer approves the same, DISTRIBUTOR will be entitled to reimbursement of such expenses. DISTRIBUTOR's obligation to provide such customized reports is conditioned upon Customer's approval and payment of such expenses.
- 5.2. DISTRIBUTOR agrees to use commercially reasonable efforts to collect and process information in an accurate manner and will correct any errors, omissions or defects in the information within thirty (30) days after notice of the error, omission or defect is received. The correction methods and procedures may be determined by DISTRIBUTOR in its sole reasonable discretion.
- 5.3. DISTRIBUTOR will provide Customer purchasing information to SpenDifference and to a third-party provider of software or data analysis (a "Third-Party Provider") designated in writing by SpenDifference for use in information analysis, order placement or processing or supplier or manufacturer rebate application. If requested, DISTRIBUTOR will also electronically provide Customer purchasing information to Customer's in-house enterprise systems, provided that any expenses incurred by DISTRIBUTOR in interfacing with any such Third-Party Provider or enterprise system, in addition to any set-up fees or other transaction fees charged by such Third Party Provider are reimbursed by SpenDifference, Customer, and/or Franchisees. Prior to incurrence of such expenses and/or payment of such fees, DISTRIBUTOR shall notify SpenDifference and Customer of the estimated amount thereof, which shall be subject to SpenDifference's and Customer's approval. DISTRIBUTOR shall not be obligated to interface with Customer's designated enterprise systems or provide purchasing information to the Third-Party Provider unless and until such expenses and/or fees are approved by SpenDifference and Customer and Customer or SpenDifference has expressly agreed to pay the same. Customer expressly authorizes DISTRIBUTOR to provide Customer purchasing information to SpenDifference, any Third-Party Provider, and any Customer enterprise system designated by Customer.

6. Ordering Procedures.

- 6.1. DISTRIBUTOR will make electronic order guides available to each Unit on DISTRIBUTOR's standard electronic order and reporting systems to facilitate order placement.
- 6.2. Each Unit shall place its orders through electronic ordering methods and acknowledges the efficiencies in the supply chain that use of online ordering permits. Accordingly, Customer shall utilize standardized order entry format, which shall be provided and implemented by DISTRIBUTOR for use by Customer and Franchisee(s) in placing orders.
- 6.3. DISTRIBUTOR agrees to support Customer's use of its own in-house electronic online ordering system in conjunction with DISTRIBUTOR'S electronic online ordering system; provided that any expenses incurred by DISTRIBUTOR incident to such support and interface with Customer's in-house electronic online ordering system is paid or reimbursed by Customer. Prior to incurrence of such expenses, DISTRIBUTOR shall notify SpenDifference and Customer of the estimated amount thereof, which shall be subject to SpenDifference's and Customer's approval. DISTRIBUTOR shall not be obligated to provide such support and interfacing unless and until such expenses are approved by SpenDifference and Customer and Customer has expressly agreed to pay the same.

7. Procedures Manual.

- 7.1. DISTRIBUTOR will supply SpenDifference, Customer and each Franchisee with a detailed procedures manual for each Unit serviced. The procedures manual will cover key contacts at the Sysco Company that services the Unit, the online order system, and procedures for ordering, delivery schedules, delivery procedures, key drops, receiving, credit memos, pick-ups, Product returns, recalls, and other pertinent information.
- 7.2. The procedures manual will be updated by DISTRIBUTOR as changes in procedures are made by DISTRIBUTOR.

8. Deliveries.

- 8.1. DISTRIBUTOR will make deliveries to the Units at the frequency specified in the Schedule.

8.1.1 Distributor shall utilize commercially reasonable efforts to maintain an On-time Delivery Performance rate of 95%, as measured over each calendar quarter and among all Units served under this

Agreement, in the aggregate. "On-Time Delivery Performance" is defined for any given period, as the (i) total number of deliveries made to all Units less (ii) total number of deliveries to all Units that are not made on-time, divided by (iii) total number of deliveries made to all Units. If the order arrives within one hour of the scheduled delivery time (before or after) or within the delivery window for "key drop" deliveries (as defined in Section 8.4), the order will be considered delivered on time.

- 8.2. DISTRIBUTOR's delivery schedules will be developed by the delivering Sysco Company after consultation with the Customer or Franchisee, taking into account the needs of their respective Units. The delivery schedules may be modified from time to time by DISTRIBUTOR upon reasonable notice to SpenDifference, Customer or the applicable Franchisee. DISTRIBUTOR will provide written notice two weeks in advance of any permanent schedule change.
- 8.3. Each Unit must provide DISTRIBUTOR with notice of any delivery of non-conforming Products or shortage of, loss of or visible, external damage to Products, before DISTRIBUTOR's driver leaves the Unit (except for key drop deliveries).
- 8.4. If DISTRIBUTOR makes a key drop delivery to a Unit, the Unit will be conclusively deemed to have received and accepted the type and quantity of Products shown on DISTRIBUTOR's invoice or delivery list left with the Products (regardless of whether or not the invoice or delivery list is signed by a representative of the Unit), unless the Unit provides DISTRIBUTOR with notice of any non-conforming Products or shortage, loss or damage, by the time specified in the procedures manual (or, if not specified, by noon local time on the following day). A key drop delivery means a delivery made by DISTRIBUTOR to a Unit when such Unit is not open for business.
- 8.5. If no notice of non-conforming Products or shortage of, loss of or visible, external damage to Products is given to DISTRIBUTOR in the time specified in this Agreement, Customer and the applicable Franchisee waive the right to assert such matters.
- 8.6. Notwithstanding Section 8.5, if Customer or the Franchisee discovers shortages in or damage to Products hidden inside the case or packaging, Customer or the Franchisee, as applicable, must notify DISTRIBUTOR within 48 hours of delivery to receive credit or recovery. DISTRIBUTOR will undertake commercially reasonable efforts: (i) to redeliver the affected Products on the next scheduled delivery to the affected Unit; or (ii) in the event the affected Product is a Critical Product, to redeliver the Product within 24 hours. "Critical Products" are those Products set forth in

Exhibit C, which have been identified as being vital to the continued operation of the Units. Expenses for any special delivery shall be borne by the Customer, Franchisee, or Supplier unless the shortage or damage was due to DISTRIBUTOR's error, negligence, or willful misconduct, in which event, special delivery expenses will be borne by DISTRIBUTOR. Each delivering Sysco Company will use commercially reasonable efforts to maintain an inventory volume of each Critical Product based on a rolling three weeks average purchase volume of each such product by the Units it services.

- 8.7. DISTRIBUTOR reserves the right to allocate Products among all of its customers in the event of any shortage of Products at any Sysco Company or in the event of a force majeure, as described in Section 21. In such event, DISTRIBUTOR will provide Customer and all affected Franchisees with prompt notice of any such allocation.
- 8.8. DISTRIBUTOR may, in its sole discretion, agree to accept Product returns from a Unit for reasons other than delivery error or damage. In the event DISTRIBUTOR agrees to accept such return, it reserves the right to charge a restocking fee not to exceed the applicable margin or fee per case utilized in determining the Sell Price for such Product.
- 8.9. DISTRIBUTOR will be expected to meet or exceed an order Fill Rate of 99.0%, as measured each calendar quarter, among deliveries to all Units in the aggregate. "Fill Rate" is defined for any given period, as the (i) total cases of Product ordered by all Units less (ii) total cases not delivered to all Units on the first scheduled delivery following timely order placement, divided by (iii) total cases of Product ordered by all Units. Permitted substitute Products will be considered to be Products delivered as ordered.

9. Pricing.

- 9.1. Except as provided below in connection with Contracted Products, the price at which DISTRIBUTOR will sell a Product to a Unit under this Agreement (the "Sell Price") is equal to: (i) (a) DISTRIBUTOR's Cost, as defined below, plus (b) the Total Fee (comprised of the Sysco Fee and SpenDifference Administrative Fee) specified in the Schedule, plus (c) if applicable, any reverse deviations that SpenDifference has instructed DISTRIBUTOR to add in determining the Sell Price of the Product, as described in Section 9.13. The Sysco Fee is subject to adjustment as provided in this Agreement.
- 9.2. For example, the Sell Price of a Product with a Total Fee of 10%, and no reverse deviations or other surcharges as permitted in this Agreement, would be calculated as Cost, divided by 100%-10%. Such Product with a

\$10.00 Cost would have a Sell Price of \$11.11. ($\$10.00/100\%-10\% = \$10.00/.90 = \11.11).

- 9.3 SpenDifference has assessed an administrative fee upon Customer's pricing, as indicated in the Schedule, which shall be added to the "Sysco Fee" and used to calculate the total Sell Price to the Customer. Such administrative fee will be paid monthly to SpenDifference within forty-five (45) days following the close of the applicable month. As provided in Section 9.13, SpenDifference may, from time to time, instruct DISTRIBUTOR to increase the Sell Price for designated Products by applying a "reverse deviation" in an amount designated by SpenDifference and remitting such amount to SpenDifference. Customer expressly acknowledges and consents to the addition of administrative fees and reverse deviation charges, as specified by SpenDifference from time to time, to the Sell Price of Products sold to it and the Franchisees under this Agreement. Each of Customer and SpenDifference represents that the imposition, collection, and payment of the administrative fees and reverse deviations do not violate any law or contract to which it is bound, and will defend, indemnify and hold harmless DISTRIBUTOR from all loss, damage or liability arising out of any breach of this representation, including reasonable attorneys' fees and expenses.
- 9.4 Intentionally deleted.
- 9.5 Intentionally deleted.
- 9.6 To simplify pricing, receiving and inventory valuation, all Prices with calculated penny fractions will be rounded up or down to the nearest penny per unit of sale.
- 9.7 "Cost" of a Product is defined as cost of the Product as shown on the invoice to the delivering Sysco Company or, if there is an open purchase order issued by the delivering Sysco Company for customary quantities of such Product and such Product is due to be received by such Sysco Company prior to the first day of the pricing period for which the Cost and resulting Sell Price is being determined ("Eligible Open Purchase Order"), the price of the Product as set forth in such Eligible Open Purchase Order, plus, if the price on such invoice or Eligible Purchase Order, as the case may be, is not a delivered price, Applicable Freight. The invoice or Eligible Open Purchase Order used to determine Cost will be the invoice issued to the delivering Sysco Company from, or the Eligible Purchase Order issued from the delivering Sysco Company to, the supplier of the Product ("Supplier"), including, without limitation, DISTRIBUTOR's merchandising services affiliate, currently, Sysco Merchandising and Supply Chain Services, Inc. and its successors (collectively, "SMS"). In addition, for certain commodity products like produce, SMS and other Affiliates may use replacement cost or current market average cost as its

cost to the delivering Sysco Company. Cost is not reduced by cash discounts for prompt payment available to DISTRIBUTOR, SMS or the Sysco Companies. The Sell Price for Controlled Price Products (as such term is defined in Section 9.14), shall be determined as provided in Section 9.14).

9.7.1 "Applicable Freight" means a per-case freight charge for delivering products to the delivering Sysco Company. Applicable Freight charges may include: (i) common or contract carrier charges by the Product supplier or a third party; (ii) common or contract carrier charges billed by DISTRIBUTOR's freight management service ("FMS"), sometimes known as Alfmark, for third party carriage arranged by FMS; (iii) charges billed by FMS for shipments back hauled on trucks owned or leased by DISTRIBUTOR or its affiliates; and (iv) charges such as fuel surcharges, cross-dock charges, unloading and restacking charges, container charges, air freight charges and other similar charges not included in the supplier's invoice cost that are required to bring Product into the delivering Sysco Company's warehouse. Applicable Freight for any Product will not exceed (i) the Supplier's normal freight charge to the receiving Sysco Company to ship normal quantity requirements of such Product (including a freight charge that is part of a delivered price) or (ii) if the Supplier does not provide freight service, the rate normally payable by the Sysco Company for inbound shipments of a similar quantity of Product.

9.7.2 If the purchases of any Product by the Units served by any Sysco Company fail to achieve the supplier's minimum order requirements (based upon not greater than three week inventory levels determined by historical or reasonably forecasted purchases of such Units), the servicing Sysco Company may elect to procure such Product from another Sysco Company (the "Procuring Company"). In such event the Cost component of the Sell Price will equal the Cost to the Procuring Company, plus a transfer fee of 2.0% (of the Procuring Company's Cost), plus Applicable Freight to ship the Product from the Procuring Company to the servicing Sysco Company. Likewise, in the case of the Contracted Cost for a Contracted Product, as such terms are defined in Section 10.1, if the servicing Sysco Company procures such Contracted Product from the Procuring Company, the Contracted Cost for the servicing Sysco Company will be the Contracted Cost, plus a transfer fee of 2.0% (of the Contracted Cost), plus Applicable Freight to ship the Product from the Procuring Company to the servicing Sysco Company.

Notwithstanding the foregoing, if the servicing Sysco Company is then routinely engaged in backhauling products from the Procuring Company for distribution to other customers, the Cost component for determining the Sell Price charged by such servicing Sysco Company for Products it backhauls from the Procuring Company for distribution to the Units will equal the Cost of the Product to the Procuring Company, plus a transfer fee of 2.0% of the Procuring Company's Cost for such Product, and will not include any additional freight charges for shipping or backhauling the Product from the Procuring Company to the servicing Sysco Company. Likewise the Contracted Cost utilized by such servicing Sysco Company in determining the Sell Price for backhauled Contracted Products will equal the Contracted Cost, plus a transfer fee of 2.0% and will not include any freight charges to ship or backhaul the Contracted Products from the Procuring Company to the servicing Sysco Company.

- 9.8. Cost is not reduced by cash discounts for prompt payment. Cost is also not reduced for payments such as performance-based incentives, or fees DISTRIBUTOR receives from a Supplier for marketing, freight management, warehousing, distribution, quality assurance or other services, or the other components of earned income as disclosed in Section 9.8.1.

9.8.1 Merchandising Services/Earned Income. DISTRIBUTOR and its affiliates, including SMS, perform value-added services beyond those typically provided by other distribution companies in the foodservice industry. These services include, but are not limited to, (i) supply chain services such as consolidation of Sysco Company purchases from suppliers, management of supplier ordering processes, consolidation of payments by Sysco Companies to suppliers, processing claims by Sysco Companies for Product loss and shortages, advanced inventory management, freight consolidation and management and other services associated with management of the total supply chain, (ii) quality assurance and (iii) regional and national marketing and performance-based product marketing. To achieve these supply chain efficiencies requires DISTRIBUTOR and its affiliates, including SMS, to accept responsibility for management of certain business functions and expenses once borne by the supplier. There are also instances where DISTRIBUTOR and its affiliates, including SMS, incur additional costs in order to generate savings when considering the entirety of the supply chain which is the case with activities such as redistribution,

freight consolidation, and cross docking. Therefore, DISTRIBUTOR and its affiliates, including SMS, may recover the costs of providing these services, may be compensated for these services and may retain any savings they may receive throughout the supply chain by utilizing their expertise, resources and capital, much of which is used to offset expenses already incurred. DISTRIBUTOR considers such cost recovery, compensation and retained savings to be earned income. Receipt of such cost recovery and earned income does not reduce Cost and does not diminish the commitment of DISTRIBUTOR and its affiliates, including SMS, to provide competitive prices to their customers, including Customer.

9.8.2 Intentionally deleted.

9.8.3 Delivery Size Adjustments. Following the completion of the first nine (9) months of each contract year (the full contract year being November 1 through October 31) (such nine-month period being referred to herein as the “KPI Measurement Period”), SpenDifference and DISTRIBUTOR will review the average delivery size for all eligible deliveries made to all Units during the same measurement period. If the average delivery size is above or below the Base Range (defined in Exhibit E), the Sysco Fee for the ensuing contract year shall be increased or decreased, as applicable, as further set forth in Exhibit E, which is attached hereto and incorporated herein by reference. Only sales of Products to Units that DISTRIBUTOR has serviced for at least six (6) months during the applicable KPI Measurement Period will be included within the calculation of average delivery size.

9.8.4 Netting of Adjustments. The Sysco Fee adjustments provided in this Agreement, including without limitation, those adjustments set forth in Exhibits E and F, shall be added to (and in the case of negative variations, netted against) each other, and applicable to all Units.

9.8.5 Allowance in Lieu of Adjustments. In lieu of net reductions to the Sysco Fee that Customer and its Franchisees would be entitled to under this Agreement, including without limitation, by way of those adjustments set forth in Exhibits E and F, SpenDifference may direct that Sysco not reduce the Sysco Fee, but rather accrue allowance amounts, for the benefit of Customer (“Customer

Allowance”), equal to the dollar amount that would otherwise result from such net reductions. DISTRIBUTOR will pay the Customer Allowance to SpenDifference, on a one-month lagged basis, within forty-five (45) days following the end of the month in which the same is earned, and SpenDifference, in turn, will forward the same to Customer, in proportions as may be agreed by and between SpenDifference and Customer. DISTRIBUTOR shall be entitled to offset against any future Customer Allowances payable under this Section 9.8.5, those Customer Allowances paid on returned Products or Products for which invoiced amounts, that are properly payable, have not been received by DISTRIBUTOR within sixty (60) days of the invoice date. Customer represents and warrants that, to the extent it or SpenDifference has retained any portion of the Customer Allowance relating to sales to Franchisees’ Units, such retention does not violate any law or contract by which Customer is bound, and, to the extent that Customer is legally or contractually required to do so, it has disclosed to the Franchisees and all other persons to whom such disclosure is legally or contractually required, Customer’s (and, if shared with SpenDifference, SpenDifference’s) receipt of Customer Allowances under this Agreement. Customer will indemnify and hold DISTRIBUTOR harmless from and against any loss, liability, claims, or expense (including reasonable attorney’s fees) arising from any breach of the foregoing representation and warranty, which obligation shall survive termination of this Agreement. Further, Customer acknowledges and agrees that DISTRIBUTOR shall not be responsible for SpenDifference’s failure to forward to the Customer all Customer Allowances (or that portion thereof to which the Customer is entitled pursuant to SpenDifference’s agreement with such Customer), which DISTRIBUTOR has remitted to SpenDifference for such Customer.

- 9.9. Freight for transfers between DISTRIBUTOR’s Sysco Companies necessary to provide Products to the Units is included in Cost. On FOB-Origin contracts where the Supplier has guaranteed a freight rate, DISTRIBUTOR shall not charge more than the Supplier- guaranteed FOB cost plus the stated freight rate. If DISTRIBUTOR cannot arrange transportation or back-haul the product(s) for the total cost presented by the Supplier, DISTRIBUTOR shall inform the Supplier that the Supplier must deliver or arrange for the delivery to the delivering Sysco Company at the stated freight rate. DISTRIBUTOR further agrees to base

Applicable Freight on the brackets applicable to the actual load weight of the truck for all Products purchased by DISTRIBUTOR, and not the actual Product weight on the load of only those Products to be distributed to Customer.

9.10. Cost of Products is calculated with the following frequencies:

9.10.1. Cost will be calculated weekly.

9.10.2. If there is a major (more than 10%) increase in the Cost of any Product during a pricing period, DISTRIBUTOR may make an immediate adjustment to the Price of the Product, effective upon notice given to Customer and each applicable Franchisee.

9.11. Sell Price is based on full cases, and the Sysco Fee for splits shall be the same margin percentage as for full cases. Cost is measured on a per unit basis on the split.

9.12. Sell Prices do not include taxes or other governmental charges imposed on the Products. DISTRIBUTOR will invoice Customer or the applicable Franchisee for any such taxes or charges together with penalties and expenses, if any. If applicable, Customer and the purchasing Franchisee may provide DISTRIBUTOR with any tax exemption certificates.

9.13. If so instructed by SpenDifference, Distributor will institute a reverse deviation which allows Distributor to collect an additional fee by increasing the Sell Price of specified Products to Units by the amount indicated by SpenDifference, and to pay said collected fee to SpenDifference on a monthly basis.

9.14. Controlled Price Products. Products that are governed by agreements with Suppliers binding upon Sysco Corporation or a Sysco Company that establish the definitive price at which the delivering Sysco Company must sell a product ("Controlled Price Products") to a Unit ("Controlled Price Agreements") shall be sold for the amount prescribed (or calculated in accordance with) the applicable Controlled Price Agreement.

10. Contracted Cost.

10.1 SpenDifference, on Customer's and Franchisees' behalf, may, by written agreement with a Product's Supplier, negotiate the cost that the Supplier will charge DISTRIBUTOR for such Product for further distribution to Customer and Franchisees (the "Contracted Cost"), as well as Allowances, as defined below, directly with the Product's Supplier. Such agreements, as negotiated by SpenDifference, are referred to herein as "Supplier

Agreements.” “Allowances” are off-invoice allowances, bill-backs, and other special arrangements granted by a Supplier to Customer and the Franchisees. Products for which pricing is governed by a Supplier Agreement are referred to herein as “Contracted Products.” Subject to the limitations set forth in this Agreement and other limitations agreed to by and between SpenDifference and DISTRIBUTOR, the Contracted Cost, if any, shall be utilized in lieu of the Cost in determining the Sell Price of Contracted Products and Allowances will be deducted from the Sell Price for Contracted Products.

- 10.2. If Customer has negotiated an agreement with a supplier of Products to be distributed to it or its Franchisees or is otherwise participating as a member of another group that has negotiated an agreement with such a supplier (each, a “Customer Supplier Agreement”), the Customer Supplier Agreement shall not be utilized in determining the Sell Price for Products covered under those agreements. Only Supplier Agreements communicated to DISTRIBUTOR by SpenDifference shall be recognized in determining the Sell Price of Contracted Products under this Agreement. In the event that more than one Supplier Agreement covers a specific Product GTIN, the last Supplier Agreement communicated by SpenDifference shall determine the Contracted Cost and/or Allowances to be utilized in determining the Sell Price for Customer and Franchisees, subject to the other requirements of this Agreement relating to notification of Supplier Agreements and utilization of specific Suppliers.

In no event shall DISTRIBUTOR be required to honor any Customer Supplier Agreements that base pricing on quantities of Products that are not supported by Customer’s and its Franchisees’ usage of such Products, or that are premised on pricing or credit terms from the Supplier that are not standard in Supplier’s industry, or that are with Suppliers who have not provided DISTRIBUTOR with an indemnity agreement and supporting insurance satisfactory to DISTRIBUTOR or that are otherwise in breach of such indemnity agreement, or, in the case of Suppliers of ground beef or ground veal, if such Suppliers fail to comply with DISTRIBUTOR’s ground beef and veal safety standards.

- 10.3. SpenDifference may give DISTRIBUTOR advance written notice of any Supplier Agreements. Subject to certain limitations agreed to between SpenDifference and DISTRIBUTOR similar to those set forth in Section 10.2 relating to Supplier indemnities and insurance, adherence to DISTRIBUTOR’s ground beef safety standards, credit and payment terms and/or quantities upon which the Supplier conditions its pricing, the agreed upon supplier’s price to DISTRIBUTOR under the Supplier Agreement, will be used to calculate the Sell Price of the Product (in lieu of Cost), and any Allowances will be deducted from the Sell Price charged by DISTRIBUTOR for the applicable Product.

- 10.4. DISTRIBUTOR is not responsible for inaccuracies, errors or omissions made by a Supplier in the billing of the Contracted Cost to DISTRIBUTOR and Allowances pursuant to Supplier Agreements.
- 10.5. DISTRIBUTOR has the right to provide its equivalent branded Product to Customer and the Franchisees in lieu of a Contracted Product so long as: (a) SpenDifference and Customer has approved the equivalent DISTRIBUTOR-branded Product for purchase; (b) the Supplier agrees that the contracted pricing can be applied to the equivalent DISTRIBUTOR-branded Product; and (c) the equivalent DISTRIBUTOR-branded Product is stocked by the servicing Sysco Company.
- 10.6. DISTRIBUTOR will utilize its supply chain expertise in optimizing product procurements on a corporate basis with respect to the top five Suppliers of Products distributed to Units. DISTRIBUTOR will also review key fresh produce Products utilized by Units for possible contracting, including broccoli, mushrooms, onions, and peppers.

11. Other Adjustments, Surcharges, and Incentives.

- 11.1. All parties agree and acknowledge that the cost of diesel fuel is a critical component impacting DISTRIBUTOR's expenses in delivering Products to Units that is beyond DISTRIBUTOR's control. Accordingly, DISTRIBUTOR will assess a delivery surcharge if diesel cost exceeds a Base Range, as specified on the attached Exhibit B, and in the manner more particularly described in Exhibit B, which Exhibit is incorporated herein by reference.
- 11.2. As provided in Section 9.8.3 of this Agreement, the Sysco Fee may be adjusted based on the average delivery size in accordance with Exhibit E.
- 11.3. DISTRIBUTOR shall provide reduced fee incentives and charge additional surcharges for favorable and unfavorable variations from the "Other Distribution Parameters" set forth in the Schedule, other than the Annual Purchase Volume, or for any other circumstances, in the manner and as described in Exhibit F, attached hereto and incorporated herein by reference, which shall be applicable only to the affected Units, or in the case of prompt payment incentives to the Customer and/or the affected Franchisee, as applicable.

12. Proprietary Products.

- 12.1. DISTRIBUTOR will maintain an inventory of Proprietary Product items up to the maximum number of items specified in the Schedule. Each separate SKU constitutes a separate item. Customer (or SpenDifference,

on Customer's behalf) must request that Distributor stock or discontinue stocking Proprietary Products with at least thirty (30) days prior written notice of the effective date of any such stocking or destocking. Subject to payment of the Sell Prices therefor, Customer shall have full ownership of all units of Proprietary Products inventoried by DISTRIBUTOR at Customer's or SpenDifference's request pursuant to this Agreement.

- 12.2. "Proprietary Products" are Products that would not be brought into the inventory of a Sysco Company but for Customer's request. Proprietary Products include Products with Customer's label or logo, special order Products, test Products, menu special Products, seasonal Products and Products branded to DISTRIBUTOR (if Customer designates that the Product must be procured from a specific manufacturer). What constitutes a Proprietary Product shall be determined by each Sysco Company, and what is a Proprietary Product in one Sysco Company may not be a Proprietary Product in another Sysco Company.
- 12.3. If Customer specifies a particular manufacturer for a Proprietary Product or Contracted Product that is not currently authorized by DISTRIBUTOR, then such manufacturer will be required to complete DISTRIBUTOR's standard manufacturer documentation before DISTRIBUTOR purchases or procures such Products from the manufacturer for resale to Customer or Franchisees. Manufacturer documentation includes agreements regarding indemnification, insurance coverage and applicable pure food guarantees. If the manufacturer does not provide the documentation required by DISTRIBUTOR and Customer chooses to use that particular manufacturer, and DISTRIBUTOR is willing to procure Products from such manufacturer, then Customer shall execute an indemnity agreement in a form satisfactory to DISTRIBUTOR, that indemnifies DISTRIBUTOR and its employees, officers and agents from all loss, damage and expense (including reasonable attorney's fees) for personal injury or property damage arising from or related to the delivery, sale, use or consumption of such Proprietary Products, except to the extent caused by DISTRIBUTOR's negligence, or the negligence of its employees or agents. If so requested by DISTRIBUTOR, Customer shall provide evidence of liability insurance supporting its indemnification obligations under this Section 12.3.
- 12.4. Proprietary Products will be stocked in quantities designed to turn at least twelve (12) times per year in each applicable Sysco Company.
- 12.5. Customer and the Franchisees will purchase a combined total equal to or greater than the Minimum Case Movement of each Proprietary Product from each Sysco Company that stocks such Proprietary Product. In the event this minimum is not met, DISTRIBUTOR will notify SpenDifference. If Customer and the Franchisees fail to increase total

purchases of the Proprietary Product to the minimum in the thirty (30) days after such notice, then Customer shall, at its option, do one of the following: (a) discontinue the Proprietary Product; (b) select an alternative Product regularly stocked by the Sysco Company, or (c) procure the Proprietary Product from another source, such as direct shipment from the manufacturer.

12.6. In the event Customer or SpenDifference, on Customer's behalf, discontinues a Proprietary Product at its option or under the provisions of Section 12.5(a), (b), or (c) Customer shall purchase the remaining inventory of Proprietary Products from all applicable Sysco Companies within seven (7) days of such discontinuance, if such Proprietary Products are perishable, and within thirty (30) days, if such Proprietary Products are nonperishable. Customer shall pay DISTRIBUTOR for the remaining inventory of such Proprietary Products either prior to or upon pick-up or delivery, at Cost plus 70% of the then-applicable Sysco Fee, plus the SpenDifference Administrative Fee, if Customer picks up or causes an agent to pick up the Proprietary Product from the applicable Sysco Companies, or at Cost plus 100% of the then-applicable Total Fee, if the Sysco Companies delivers remaining inventory of such Proprietary Products to any Units that they service under this Agreement. If the discontinued Proprietary Products are not paid for within such time period, DISTRIBUTOR may dispose of such Proprietary Products, but no such disposal shall relieve Customer of its obligation to pay for such Proprietary Products.

12.7. No Product substitutions for Proprietary and/or Contracted Products will be made without the approval of SpenDifference or Customer's authorized representative. Any approved substitute Products will be sold at the same mark-up as applicable to the Product for which the substitution is made. If a substitution is required due to the negligence of DISTRIBUTOR, DISTRIBUTOR shall offer the substituted Product at the same per-unit Sell Price as the item shorted. If the item shorted is a Critical Product (as defined in Section 8.6) and there is no applicable substitution, the DISTRIBUTOR will undertake commercially reasonable efforts to arrange overnight recovery of the shortage, which shall be at Customer's or the Franchisee's expense, unless the shortage is due to DISTRIBUTOR's negligence or failure to employ prudent inventory management practices.

13. Invoicing and Payment Terms.

13.1. DISTRIBUTOR will provide each Unit with an invoice at the time of delivery. The invoice will serve as the receiving document to aid the Unit's personnel to check in the shipment. DISTRIBUTOR's driver will fill out and leave a copy of a "Request for Credit" for shipping errors

discovered at the time of delivery or for Product rejected at the time of delivery and returned to DISTRIBUTOR.

- 13.2. Payment shall be made by Customer or the Franchisee to DISTRIBUTOR within the number of days specified in the Schedule; provided, however, if Customer or the Franchisee, as applicable, does not qualify for standard payment terms as further set forth in Section 13.4 below, payments shall be made by within the payment terms assigned by DISTRIBUTOR to Customer or the Franchisee, as applicable. Terms are measured from the date of DISTRIBUTOR's invoice to the date DISTRIBUTOR receive payment.
- 13.3. All payments by Customer or the Franchisees will be made without setoff or deduction of any kind without prior written approval from DISTRIBUTOR.
- 13.4. The standard terms for payment specified in the Schedule are subject to DISTRIBUTOR's reasonable determination of the creditworthiness of Customer and each Franchisee for such terms. If Customer or any Franchisee is not sufficiently creditworthy for such payment terms as of the commencement of distribution services, as reasonably determined by DISTRIBUTOR, DISTRIBUTOR may impose more stringent payment and credit terms, and if there is a material adverse change in Customer's financial condition or the financial condition of any Franchisee during the Term of this Agreement, DISTRIBUTOR may, at its option, serve notice on Customer, and, if applicable, the Franchisee: (1) describing the change in financial condition with reasonable specificity; and (2) stating that Customer's, and if applicable the Franchisee's, payment terms shall be modified and made effective as specified in the notice, which may be immediate. The modifications may include shortening payment terms, including cash-in-advance, or requiring a standby letter of credit issued by a bank or other guarantees to secure payment, and are in addition to the modification options provided pursuant to Sections 16 below. The modifications shall be effective at the time specified in the notice, unless Customer or the applicable Franchisee eliminates or cures the change in financial condition before the expiration of any grace period, if any, that may be provided in the modification notice, to DISTRIBUTOR's reasonable satisfaction. DISTRIBUTOR may not change Customer's credit terms due to any material adverse change in the financial condition of its Franchisees.

14. **Contribution to Customer's National Conference.** Within forty-five (45) days following the end each contract year (November 1 through October 31) , DISTRIBUTOR will pay Customer an amount equal to fifty dollars (\$50) multiplied by the number of Units purchasing under this Agreement as of the end of the applicable contract year ("Conference Contribution"), which shall be

deemed to be DISTRIBUTOR's contribution to Customer's National Conference, and which shall entitle DISTRIBUTOR to participate in such conference. If this Agreement terminates prior to the end of a contract year, the Conference Contribution for such contract year will be calculated based on the number of Units purchasing under this Agreement as of the termination date, and will be prorated based on the number of months (including any partial month) completed in the applicable contract year as of the termination date. By way of example, if this Agreement terminates on April 30, 2015, and as of such date 55 Units are purchasing under this Agreement, the Conference Contribution payable to Customer will equal \$1,375, calculated as follows:

$$(55 \text{ Units} \times \$50/\text{Unit}) \times (6/12 \text{ months completed in the contract year})$$

Prorated payments will be payable within fifteen (15) days of the termination date of this Agreement.

15. **Price Audit.** DISTRIBUTOR will participate in SpenDifference's price audit program and provide for timely correction and resolution of all pricing errors in accordance with that program, which relates to Contracted Products, and will permit SpenDifference to conduct semi-annual price verifications for other Products, subject to terms and conditions agreed to between SpenDifference and DISTRIBUTOR.

16. **Credit and Collection.**

16.1. In order for DISTRIBUTOR to analyze and determine the creditworthiness and financial condition of Customer and each Franchisee, Customer agrees to furnish DISTRIBUTOR with a completed credit application using DISTRIBUTOR's form. Customer shall also furnish its most recent internal financial statements, income statement, statement of cash flow and balance sheet, both before deliveries begin, and at all reasonable times thereafter. Customer also agrees to require each Franchisee to furnish DISTRIBUTOR with a complete credit application using DISTRIBUTOR's form. Customer understands and agrees that until DISTRIBUTOR approves a credit application with respect to a Franchisee and such Franchisee executes a Franchisee Acceptance Agreement, DISTRIBUTOR will not be obligated to provide distribution services to such Franchisee under this Agreement.

16.2. Any invoices not paid when due shall bear interest at the lesser of (a) 1½% per month and (b) the highest rate permitted by law. Customer, on behalf of itself and each Franchisee, grants DISTRIBUTOR an express right of setoff to apply any money or credit due from Customer or a Franchisee to DISTRIBUTOR in any claim or action asserted by Customer or such Franchisee against DISTRIBUTOR.

- 16.3. If Customer or any Franchisee fails to make a payment when due, DISTRIBUTOR shall be entitled to immediately, upon notice, impose more stringent credit or payment terms, including, without limitation, cash in advance, for deliveries to the Units owned or operated by the entity responsible for payment (the "Responsible Party") and, if the failure continues for five (5) days after receipt of written notice from DISTRIBUTOR, DISTRIBUTOR may stop delivery of Products to all Unit(s) owned or operated by the Responsible Party.
- 16.4. If DISTRIBUTOR has reasonable grounds for insecurity as to Customer's payment or performance or a Franchisee's payment or performance, it shall provide Customer or such Franchisee with notice specifying the grounds in reasonable detail. After giving such notice, DISTRIBUTOR may impose more stringent payment or credit terms, including, without limitation, cash in advance, and/or withhold delivery of Products to the Unit(s) operated by Customer or such Franchisee (as the case may be) until DISTRIBUTOR receives adequate assurances of Customer's or such Franchisee's payment or performance, in such form as DISTRIBUTOR reasonably requests. Customer or a Franchisee will have at least seven (7) days after receipt of the notice to provide adequate assurances before DISTRIBUTOR may cease deliveries to the applicable Unit(s), unless such notice is provided in connection with Section 16.4 above for non-payment, in which case the terms of Section 16.4 shall apply. DISTRIBUTOR will provide Customer with a copy of any notice sent to any Franchisee pursuant to this Section.
- 16.5. If DISTRIBUTOR has reason to believe that Customer or a Franchisee is or is about to become insolvent, DISTRIBUTOR may take any action permitted by law against the insolvent entity.
- 16.6. If any proceedings are filed by or against Customer or a Franchisee in bankruptcy, or for appointment of a receiver or trustee, or if Customer or a Franchisee makes an assignment for the benefit of creditors, DISTRIBUTOR may immediately stop delivery to the Unit(s) operated by Customer or the Franchisee, as applicable.
- 16.7. Customer or Franchisee, as applicable, will reimburse DISTRIBUTOR upon demand for all costs and expenses, including reasonable attorneys' fees and court costs, incurred in collecting any amounts due from Customer or a Franchisee to DISTRIBUTOR (whether in a trial, appellate, or bankruptcy court), or in enforcing DISTRIBUTOR's rights against Customer or a Franchisee under this Agreement. Customer does not guarantee the performance of its Franchisees.

16.8. This Agreement may cover the sale of perishable agricultural commodities as those terms are defined by federal law. All fresh and frozen fruits and vegetables that have not been processed beyond cutting, combining or steam blanching are generally considered to be perishable agricultural commodities. All perishable agricultural commodities sold under this Agreement are sold subject to the statutory trust authorized by Section 5(c) of the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499e(c)). The seller of these commodities retains a trust claim over these commodities and all inventories of food or other products derived from these commodities, and any receivables or proceeds from the sale of these commodities, until full payment is received.

17. Termination.

17.1. Customer may terminate this Agreement as follows:

17.1.1. If DISTRIBUTOR is in material breach of this Agreement, and fails to cure such breach within sixty (60) days after receiving notice from Customer, Customer may terminate this Agreement upon written notice.

17.1.2. Immediately upon DISTRIBUTOR's insolvency (including inability to pay debts as they mature), cessation of business, operation as a going concern, assignment or attempted assignment for the benefit of creditors or similar acts, bankruptcy or institution of similar proceedings (whether by or against DISTRIBUTOR), or dissolution or liquidation.

17.2. DISTRIBUTOR may terminate this Agreement as follows:

17.2.1. INTENTIONALLY DELETED.

17.2.2. If Customer is in material breach of this Agreement (other than for failure to make payment), and fails to cure such breach within sixty (60) days after receiving notice from DISTRIBUTOR, DISTRIBUTOR may terminate this Agreement upon written notice.

17.2.3. If Customer fails to make payment at the time required under this Agreement, and such failure continues for ten (10) days after receiving notice from DISTRIBUTOR, DISTRIBUTOR may terminate this Agreement upon written notice.

17.2.4. Immediately upon Customer's insolvency (including inability to pay debts as they mature), cessation of business, operation as a going concern, assignment or attempted assignment for the benefit

of creditors or similar acts, bankruptcy or institution of similar proceedings (whether by or against Customer), or dissolution or liquidation.

- 17.2.5 If SpenDifference directs DISTRIBUTOR to exclude Customer from the distribution program contemplated under the agreement between SpenDifference and DISTRIBUTOR, effective as of the effective date SpenDifference specifies for such exclusion.
- 17.2.6 With respect to distribution services under this Agreement to any Franchisee, if the circumstances described in Sub-sections 17.2.1 through 17.2.5 occur with respect to such Franchisee, and, in such event, subject to affording to such Franchisee the same notice and cure rights, if any, as are provided to Customer under such subsections.
- 17.3. Upon any termination of this Agreement Customer must purchase and/or cause Franchisees to purchase any remaining inventory of the Proprietary Products as well as remaining inventory of other Products in quantities that have been acquired by the delivering Sysco Companies in reasonable anticipation of sale to the Units as follows:
 - 17.3.1. Within five (5) days of the termination date, Customer will provide DISTRIBUTOR with written notice specifying which Products will be purchased F.O.B. DISTRIBUTOR's Sysco Companies, which Products are to be delivered to Customer or a Franchisee, and/or which Products are to be delivered to a successor distributor or other third party. Customer guarantees the payment obligations of any successor distributor or third party it designates to purchase remaining inventories of such Products.
 - 17.3.2. Any Products purchased F.O.B. DISTRIBUTOR's Sysco Companies will be purchased at a price equal to the Cost of the Products plus 70% of the then-applicable Sysco Fee for receiving and warehouse handling services.
 - 17.3.3. Any Products delivered to Customer, a Franchisee, a successor distributor or a third party will be purchased at the Sell Price of the Products provided that the delivery location is within the applicable Sysco Company's Service Area. If the delivery location is not within the Service Area of the applicable Sysco Company, additional shipping charges may be added to the Sell Price. In the case of remaining inventories of Contracted Products that are purchased by successor distributors or other third parties, where the Contracted Cost and/or Supplier Allowance is achieved only through a bill-back to the supplier upon sale of the Contracted

Product to Customer or Franchisee, the Sell Price will be based upon DISTRIBUTOR's Cost without regard to the Contracted Cost or Supplier Allowance.

17.3.4. Customer agrees to purchase all remaining inventory of perishable Products within seven (7) days of the effective date of termination and all other Products within fifteen (15) days of the effective date of termination. If the Products are not purchased within such time periods, DISTRIBUTOR may dispose of the Products, but no such disposal shall relieve Customer of its obligation to pay for the Products. Payment terms for Product purchased under this Section 17.3 will be the same as established in or pursuant to Section 13.4 of this Agreement or within the fourteen (14) days of termination of this Agreement or the established payment terms, whichever is earlier.

18. Warranties.

- 18.1. DISTRIBUTOR hereby agrees to cooperate with Customer in the enforcement of any manufacturer warranties, at Customer's sole cost.
- 18.2. DISTRIBUTOR represents and warrants that all Products other than Proprietary Products and Contracted Products, as of the time of delivery to Customer (i) will meet the specifications for such Product contained within the order guide provided by DISTRIBUTOR (ii) subject to Section 16.8, will be free and clear of any adverse lien or security interest, and (iii) to the extent the Product is subject to the Federal Food, Drug and Cosmetic Act, as amended from time to time (the "FDC Act"), will not be adulterated or misbranded within the meaning of the FDC Act.
- 18.3. DISTRIBUTOR represents and warrants that all Proprietary Products, special order products, and Contracted Products will be free and clear of any adverse lien or security interest (subject to Section 16.8), and will conform to the applicable specifications for such Products set forth in DISTRIBUTOR's order guide.
- 18.4. **EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, (A) DISTRIBUTOR DOES NOT MAKE ANY WARRANTIES WITH RESPECT TO THE PRODUCTS AND (B) DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ARISING AS A RESULT OF CUSTOM OR USAGE IN THE TRADE OR BY COURSE OF DEALING WITH REGARD TO THE PRODUCTS. CUSTOMER ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, DISTRIBUTOR HAS MADE NO**

ORAL OR WRITTEN WARRANTIES WITH RESPECT TO THE PRODUCTS AND IS PURCHASING THE PRODUCTS WITH FULL ASSUMPTION OF THE RISKS ASSOCIATED WITH THIS DISCLAIMER, AND THE PRICE HAS BEEN NEGOTIATED TO REFLECT THIS ASSUMPTION OF RISK.

19. Indemnification and Claim Limitations.

- 19.1. Customer agrees to indemnify DISTRIBUTOR, SpenDifference, and their respective parent and affiliated companies, and the officers, directors, employees, and successors and assigns of the foregoing, from any loss, damage or expense (including reasonable attorneys' fees), arising out of or related to: (a) any breach of a representation or warranty made by Customer under this Agreement; (b) any breach in the performance of Customer's obligations or the obligations of a Franchisee under this Agreement; (c) Customer's negligence in the performance of its obligations (to the extent not contributed to by DISTRIBUTOR's negligence); and (d) any actions or omissions by Customer concerning or related to the Products, including negligence or reckless conduct, storage, handling or preparation of the Products, additions or modifications to the Products, or use of the Products.
- 19.2. Subject to Sections 19.4, 19.5, and 19.6, DISTRIBUTOR agrees to indemnify Customer, SpenDifference, and their respective parent and affiliated companies, and the officers, directors, employees, and successors and assigns of the foregoing, from any loss, damage or expense (including reasonable attorneys' fees), arising out of or related to: (a) any breach of a warranty or representation made by DISTRIBUTOR under this Agreement; (b) any breach in the performance of DISTRIBUTOR's obligations under this Agreement; or (c) DISTRIBUTOR's negligence in the performance of its obligations under this Agreement (to the extent not contributed to by Customer's negligence or the negligence of a Franchisee).
- 19.3. DISTRIBUTOR and Customer (on behalf of itself and each Franchisee) agree: (a) to notify each other and SpenDifference in writing of any claim, act or omission likely to give rise to a claim for indemnification hereunder promptly upon learning of the claim (provided that the failure to give such notice shall not relieve the indemnifying party of any liability except to the extent such failure shall actually prejudice the indemnifying party); and (b) to permit the indemnifying party to defend the claim with counsel reasonably acceptable to the indemnified parties, which consent will not be unreasonably withheld or delayed.

- 19.4. Notwithstanding anything to the contrary in this Agreement, DISTRIBUTOR shall not be liable under this Agreement or otherwise for any loss, damage or expense incurred by Customer or a Franchisee that: (a) arises from or relates to a Product for which Customer designated the source or specifications, so long as DISTRIBUTOR did not cause or contribute to the loss, damage or expense in the storage and handling of the Product; or (b) arises from or relates to the handling, preparation or use of a Product after delivery.
- 19.5. DISTRIBUTOR's obligations upon its breach of any provision of this Agreement relating to defective or damaged Products are limited to replacement of the applicable Products or crediting Customer the cumulative Price of the applicable Products.
- 19.6. **No party hereunder shall be liable to any other party for payment of any consequential, incidental, indirect, punitive, special or tort damages of any kind, including any loss of profits. The limitations on the liability of the parties contained in this Agreement apply regardless of whether the form of the claim is based on contract, negligence, strict liability or tort law.**
- 19.7. The foregoing indemnification obligations and claim limitations shall survive the expiration or earlier termination of this Agreement.

20. Confidentiality.

- 20.1. Each party acknowledges that the relationship created by this Agreement may involve the disclosure and receipt of contracts, financial reports, plans, statements, data, documents, computer media, samples or other information that comprise, in whole or in part, confidential information that is not generally known to the public ("Confidential Information").
- 20.2. Each party agrees that, without the prior written consent of the other party, it will not divulge Confidential Information to any third party (except to its affiliates and advisors who have a need to know such information for purposes contemplated by this Agreement, and only if such party is made aware of the confidential nature of such Confidential Information and agrees to be bound by restrictions similar to those imposed by this Agreement on the use of Confidential Information).
- 20.3. Confidential Information does not include any information that: (a) is or becomes available in the public domain through no wrongful act of the receiving party; (b) is already in the receiving party's possession without an obligation of confidentiality prior to disclosure by the disclosing party in connection with this Agreement; (c) is rightfully disclosed to the receiving party by a third party without an obligation of confidentiality

known to the receiving party; or (d) is independently developed by the receiving party without reference to any Confidential Information.

- 20.4. The provisions of this Article 20 shall expire on the date that is five (5) years from the expiration or earlier termination of this Agreement, except with respect to Confidential Information that constitutes a trade secret, as to which the provisions of this Article 20 shall not expire.
21. **Force Majeure.** Subject to the provisions of this Section 21, DISTRIBUTOR shall be excused for delays in performance or failure to perform any of its obligations hereunder if, and only for so long as, such delay or failure is a result of unforeseen acts of nature (including fire, flood, earthquake, storm, hurricane or other natural disaster), human-caused disaster affecting the foodservice distribution business generally, war, civil disturbances, labor strikes, hostilities (regardless of whether war is declared), terrorist activities (including bioterrorism) and failure of sources of supply for any of the foregoing reasons (each, a "Force Majeure Event"); *provided, that*, the Force Majeure Event resulted from acts or events beyond DISTRIBUTOR's reasonable control, and that if reasonably possible, Customer and SpenDifference are timely notified of the likelihood or actual occurrence of a Force Majeure Event. In the event of such occurrences with respect to one or more but not all of DISTRIBUTOR'S Sysco Companies, DISTRIBUTOR shall, if commercially reasonable for it to do so, provide distribution services as required hereunder from its unaffected Sysco Companies. In the event that it is not commercially reasonable for DISTRIBUTOR to provide such services from its other Sysco Companies, the Customer may purchase Product requirements for their respective Units from other sources for such periods of time as DISTRIBUTOR is unable to perform, and Customer will not be required to fulfill its obligations regarding DISTRIBUTOR's primary distributor status for such purchases. DISTRIBUTOR shall use reasonable best efforts to remove or avoid any such events as soon as practicable and to continue performance of its obligation hereunder in light of the. If the force majeure continues for a period of thirty (30) days or more, the non-performing party may terminate this Agreement, effective thirty (30) days following delivery of written notice. This Section does not relieve a party from any obligation to pay money when due.
22. **Food Safety.**
- 22.1 Customer, on behalf of itself and each Franchisee, agrees to notify DISTRIBUTOR, within forty-eight (48) hours after it become aware of its occurrence, of any illness, sickness, accident or malfunction involving any Products which results in injury to or death of persons, or damage to property, or the loss of its use. Customer agrees to cooperate fully with DISTRIBUTOR in investigating and determining the cause of any such event, and shall cause each applicable Franchisee to cooperate.

- 22.2 DISTRIBUTOR will notify SpenDifference and Customer in within 24 hours if it learns of product recalls or other warnings initiated by the government or regulatory agency or the Manufacturer regardless of the level or classification of the recall. DISTRIBUTOR will provide all relevant information regarding the recall, including the affected lot numbers and the units that have purchased affected product.
23. **Supplies On The Fly.** Notwithstanding any provision in this Agreement, Customer and the Franchisees agree to the following in exchange for authorization from DISTRIBUTOR to purchase products from Supplies On The Fly website (www.suppliesonthefly.com, hereinafter “SOTF”), which is operated by Instawares, LLC (“Instawares”).
- 23.1 Orders by Customer and the Franchisees on SOTF are received, processed, and fulfilled by Instawares. Customer and the Franchisees recognize and agree that, except as defined below, purchases made on SOTF shall be independent of the terms contained in this Agreement, and shall not be considered to be purchases under this Agreement.
- 23.2 Instawares is solely responsible for procuring, pricing, and arranging for the delivery and quality of the products ordered via SOTF (“SOTF Products”) and for the terms applicable to the sale.
- 23.3 DISTRIBUTOR has no responsibility for or any authority whatsoever with respect to the sale of any SOTF Product, including (without limitation) the establishment of the sell prices and/or shipping charges charged for SOTF Products and/or their delivery to Customer and the Franchisees. DISTRIBUTOR expressly disclaims any representations regarding any matter relating to any cost basis utilized in establishing the purchase price and/or the shipping charges for any SOTF Product.
- 23.4 If SOTF Products are purchased with a credit card:
- 23.4.1 Instawares is responsible for billing and collecting the purchase price, inclusive of shipping charges.
- 23.4.2 Any claims that Customer or a Franchisee may have with respect to SOTF Products and any requests for returning SOTF Products must be addressed to and resolved exclusively with Instawares as well as receiving any refunds for returned SOTF Products.
- 23.4.3 DISTRIBUTOR MAKES NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND WITH RESPECT TO ANY SOTF PRODUCT OR DELIVERY THEREOF, INCLUDING WITHOUT LIMITATION, WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES OF TITLE, OR WARRANTIES

THAT ARISE FROM TRADE USAGE OR CUSTOM, ALL OF WHICH ARE EXPRESSLY DISCLAIMED.

23.4.4 DISTRIBUTOR SHALL NOT BE LIABLE TO CUSTOMER, THE FRANCHISEES, OR ANY OTHER PERSON FOR ANY DAMAGES ARISING FROM THE PURCHASE, DELIVERY, FAILURE TO DELIVER, CONSUMPTION, USAGE, OR RESALE OF SOTF PRODUCTS OR ANY DEFECTS OR DEFICIENCIES IN SOTF PRODUCTS.

23.5 None of the pricing terms (such as but not limited to the method of calculating the sell price), allowances, credit, and return policies or any payment terms) applies to Customer's or the Franchisees' purchases of SOTF Products. No claim or defense that Customer or a Franchisee may have with respect to SOTF Products or any sales transactions relating thereto may be asserted against, or used as an offset or defense with respect to obligations to, DISTRIBUTOR, and any arrangements Customer or a Franchisee may have with DISTRIBUTOR with respect to purchase of products from DISTRIBUTOR.

23.6 Purchases of any SOTF Product will not be included within any sales volume requirements upon which pricing is based under this Agreement or any other agreement with DISTRIBUTOR, nor will any allowances, discounts and/or any other incentives that Customer or the Franchisees may be entitled to under this Agreement, be applicable to Customer's and the Franchisees' purchases of SOTF products.

24. General.

24.1. The offices of Customer, the Franchisees, the Units and DISTRIBUTOR's distribution centers are located in many different states. To simplify interpretation of this Agreement, the Uniform Commercial Code (most recent version adopted by the National Conference of Commissioners on Uniform State Laws) shall apply to this Agreement, and for any remaining matters not determined by such Code, Colorado law (without reference to its conflicts of laws rules) shall apply. Any action or suit against DISTRIBUTOR arising from or related to this Agreement or the Products must be commenced within one year after the cause of action has accrued, and may be filed in the state or federal courts located within the State of Colorado. DISTRIBUTOR and Customer consent to non-exclusive jurisdiction and venue in such courts. Each of DISTRIBUTOR, SpenDifference, and Customer affirmatively waives its right to jury trial with respect to any disputes, claims or controversies of any kind whatsoever under this Agreement.

24.2. For purposes of this Agreement (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation," (b) the word "or" is not exclusive and (c) the words "herein,"

“hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole.

- 24.3. All notices or consents under the terms of this Agreement will be determined to have been properly delivered if personally served, sent by facsimile or e-mail transmission, or by reputable courier service to the address of the party set forth on the first page of the Schedule (or such other address designated by notice to the other party). Notice will be deemed to have been received: (a) if personally, when served; (b) if by facsimile transmission, on the first business day after transmission via fax with a confirmed receipt; (c) if by e-mail transmission, upon receipt; and (d) if by reputable courier, on the first business day after delivery to the courier, with postage prepaid.
- 24.4. Except as otherwise provided in this Agreement, DISTRIBUTOR’s obligations under this Agreement are extended to Customer and Franchisees only, and shall not inure to the benefit of or form the basis of a claim by any other purchaser of the Products or other party. DISTRIBUTOR may not assign this Agreement without the prior written consent of SpenDifference and Customer, which may not be unreasonably withheld, conditioned or delayed; provided that DISTRIBUTOR may utilize its Sysco Companies to perform as indicated in this Agreement. Customer may not assign this Agreement without the other parties’ written consent, which consent shall not be unreasonably withheld, delayed, or conditioned, *provided, that*, Customer may assign this Agreement to any purchaser or other successor to all or substantially all of its business (the “Customer Acquirer”) without DISTRIBUTOR’s consent, provided that: (i) the Customer Acquirer is not a competitor of DISTRIBUTOR; (ii) the Customer Acquirer executes such assumption documents as DISTRIBUTOR may reasonably require to evidence its assumption of Customer’s obligations under this Agreement; and (iii) the Customer Acquirer has sufficient financial capability to discharge the obligations of Customer under this Agreement. Customer shall give prompt written notice to the other parties of such assignment to the extent reasonably practicable in advance of the assignment, or, if prior notification is not reasonably practicable, promptly following such assignment. Notwithstanding the foregoing, SpenDifference shall be entitled to enforce any provision of this Agreement in which it is expressly named, and may further enforce this Agreement, and any and all terms hereof, as an express third-party beneficiary of Customer. SpenDifference may not assign this Agreement without the other parties’ written consent, which consent shall not be unreasonably withheld, delayed, or conditioned; *provided, that*, SpenDifference may assign this Agreement to any purchaser or other successor to all or substantially all of its business (the “Acquirer”) without DISTRIBUTOR’s or Customer’s consent,

provided that: (i) the Acquirer is not a competitor of DISTRIBUTOR; (ii) the Acquirer executes such assumption documents as DISTRIBUTOR may reasonably require to evidence its assumption of SpenDifference's obligations under this Agreement and the the agreement between SpenDifference and DISTRIBUTOR; and (iii) the Acquirer has sufficient financial capability to discharge the obligations of SpenDifference under this Agreement and the the agreement between SpenDifference and DISTRIBUTOR. SpenDifference shall give prompt written notice to the other parties of such assignment to the extent reasonably practicable in advance of such assignment, or if prior notification is not reasonably practicable, promptly following such assignment. Subject to these limitations, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties.

- 24.5. The remedies provided in this Agreement are cumulative. The exercise of any right or remedy under this Agreement shall be without prejudice to the right to exercise any other right or remedy in this Agreement, by law, or in equity.
- 24.6. This Agreement, including the Schedule and Exhibits hereto, is the final, complete and exclusive expression of the agreement between DISTRIBUTOR and Customer for the sale of the Products to the Units and among DISTRIBUTOR, Customer and SpenDifference. This Agreement may be amended only by a written document executed by DISTRIBUTOR, Customer and SpenDifference, and may be waived only by a written instrument executed by the party or parties from which such waiver is sought and SpenDifference.
- 24.7. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be used against any person.
- 24.8. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party hereto, but together signed by both of the parties hereto. Facsimile, electronic and similar original signature reproductions shall have the same force and effect as the originals thereof.
- 24.9. Nothing in this agreement shall be construed or interpreted as creating an agency, partnership, co-partnership or joint venture relationship between the parties.

24.10 In any action brought under this Agreement, the prevailing party shall be entitled to reimbursement of its reasonable attorney's fees and court costs from the non-prevailing party(ies).

[Signature Page Follows]

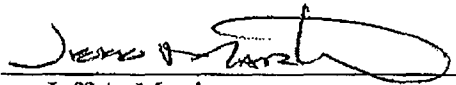
Accepted and agreed to:

SYSCO CORPORATION

HUHOT MONGOLIAN GRILLS, LLC

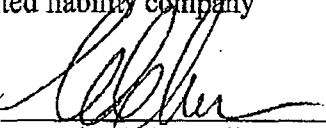
By: 

Name: Greg Kauer
Title: V.P. Chain Restaurants

By: 

Name: Jeff A. Martin
Title: VP Operations

SPENDIFFERENCE, LLC, a Colorado
limited liability company

By: 

Name: Leland C. Small
Title: Director of Distribution

Address: 12015 E. 46th Avenue,
Denver, CO 80239

Facsimile:

Electronic mail:

**EXHIBIT A
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT**

Intentionally deleted

EXHIBIT B
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT

FUEL COST SURCHARGE

If the cost of fuel, as determined below, exceeds the Base Range, as identified in the chart below, a delivery surcharge will be added. This fuel cost surcharge will be calculated monthly and will be based on the Energy Information Administration, average Weekly Retail On-Highway Diesel fuel price most recently published as of 15th of each month (each, a "Fuel Determination Date") for the national average among all PADD regions. The Web site to access this information electronically is as follows:

<http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp>

If such publication is no longer published or available, then the parties will mutually agree upon an acceptable alternative source.

As fuel prices increase or decrease, the fuel cost surcharge will move according to the fuel price bracket, and will take effect on the first Monday of the calendar month following the Fuel Determination Date.

Retail On Highway Diesel Price per Gallon	Fuel Cost Surcharge
less than \$4.10 (" <u>Base Range</u> ")	\$0.00
\$4.10 - \$4.19	\$5.00
\$4.20 - \$4.29	\$6.00
\$4.30 - \$4.39	\$7.00
\$4.40 - \$4.49	\$8.00
\$4.50 - \$4.59	\$9.00
\$4.60 - \$4.69	\$10.00

Above \$4.69 per gallon: per delivery surcharge of \$10.00 + \$1.00 for each \$0.10 increment or portion thereof that diesel cost is above \$4.69 per gallon

**EXHIBIT C
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT**

Critical Products

**ALL AMERICAN SEASONINGS
WOLVERINE PACKING CO
PASSPORT FOOD GROUP, LLC
CERTARE/TRIDENT
SHRIMP P&D RAW IQF 71/90 T/OFF
SAUSAGE POLISH W/JALEPENO 5/1**

**EXHIBIT D
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT**

Form of Franchisee Acceptance Agreement

FRANCHISEE ACCEPTANCE AGREEMENT

Franchisee Acceptance Agreement, dated _____, _____ (this "Agreement"), by and between the undersigned person or owner ("Operator") which owns or has the right, by contract or law, to purchase goods and services for the establishments described on the attached Exhibit A (the "Subject Locations") and Sysco _____, _____ (the "Operating Company") on behalf of Sysco Corporation and certain of its operating subsidiaries and affiliated companies (individually, an "Operating Company" and collectively, "Operating Companies"), which together with Sysco Corporation, are referred to collectively as "Sysco".

Recitals

A. Operator is a franchisee or licensee of HuHot Mongolian Grills, LLC (the "Master Organization").

B. Sysco and the Master Organization have entered into an Amended and Restated Distribution Services Agreement (the "DSA").

C. The DSA contemplates that Sysco provide distribution services to the Master Organization and its franchisees at locations it operates under pricing established by the Master Organization under the DSA and the terms and conditions provided herein, including specific delivery terms and other circumstances relating to requirements of Operator specific to the Subject Locations as may be agreed by Operator and Sysco (the "Location Specific Terms").

D. Sysco, as a condition to providing distribution services to the Subject Locations, requires that Operator execute this Agreement, evidencing Operator's agreement to the terms and conditions set forth in this Agreement, including any Location Specific Terms.

E. Operator and the Master Organization have entered into an agreement (the "Operator Agreement") governing the terms under which Operator may purchase products through the Master Organization ("Products") consisting of manufacturer and distributor label Product as well as Product bearing the logo, trademarks or trade dress of Master Organization or which are otherwise exclusively available through the Master Organization ("Proprietary Products").

Therefore, in consideration of the recitals above and the mutual covenants in this Agreement, the sufficiency of which is acknowledged, Operator and Sysco agree as follows:

1. Binding Nature of Agreement. By his/her/its signature below, Operator specifically acknowledges and agrees: (A) that the distribution services Sysco provides to the Subject Locations are provided subject to Sysco's obligations to the Master Organization under the DSA, as the same may be

modified, extended, and/or restated pursuant to its terms and/or upon agreement from time to time by and between Sysco and the Master Organization, and further subject to the Location Specific Terms; (B) that Sysco's ability to sell Operator Proprietary Products is subject to Master Organization's rights to direct Sysco to cease further distribution of Proprietary Products to Operator; (C) that Operator's ability to participate in the purchasing program negotiated by Master Organization, which may involve certain contracted pricing with suppliers, as set forth in the DSA, is subject to Master Organization's right to direct Sysco to cease further distribution to Operator under the terms of the DSA; (D) if Operator is a franchisee of Master Organization, that Operator's ability to operate an establishment utilizing Master Organization's trademarked concept is subject to Operator's compliance with the Operator Agreement with the Master Organization.

2. Definition of Cost; Pricing and Earned Income. Operator agrees that, unless otherwise specified in the Location Specific Terms, the cost that shall be utilized in determining the sell price of Products distributed to the Subject Locations shall be as follows unless modified by agreement of the Master Organization and Sysco:

"The price to Customer for all Products sold under this Agreement (the "Sell Price") will be calculated on the basis of Cost. Except for contract pricing extended to Sysco by a supplier for purchases by Customer, "Cost" is defined as the cost of the Product as shown on the invoice to the delivering Operating Company or, if there is an open purchase order issued by the delivering Operating Company for customary quantities of such Product and such Product is due to be received by such Operating Company prior to the first day of the pricing period for which the Cost and resulting Sell Price is being determined ("Eligible Open Purchase Order"), the price of the Product as set forth in such Eligible Open Purchase Order, plus, if the price on such invoice or Eligible Purchase Order, as the case may be, is not a delivered price, Applicable Freight. The invoice or Eligible Purchase Order used to determine Cost will be the invoice issued to the delivering Operating Company from, or the Eligible Purchase Order issued from the delivering Operating Company to, the supplier, including without limitation, Sysco's merchandising services affiliate, currently, Sysco Merchandising and Supply Chain Services, Inc. and its successors (collectively, "SMS"), as well as any other Sysco affiliate. Cost is not reduced by cash discounts for prompt payment available to Sysco, SMS or the Operating Companies. Notwithstanding this definition, the price to Customer for certain products such as soft drink and cleaning chemical products (as specified by Sysco) shall be determined by the supplier of such products. Further, the Master Organization, from time to time, may negotiate prices with suppliers of Products that, subject to the terms of the DSA, Operating Company shall utilize in lieu of "Cost" and some categories of Products may be subject to market pricing, as identified in the DSA."

"Applicable Freight" means a per-case freight charge for delivering products to the delivering Operating Company. Applicable Freight charges may include: (i) common or contract carrier charges by the Product supplier or a third party; (ii) common or carrier charges billed by Sysco's freight management service ("FMS"), for third party carriage arranged by FMS; (iii) charges billed by FMS for shipments back hauled on trucks owned or leased by Sysco or its affiliates; and (iv) charges such as fuel surcharges, cross-dock charges, unloading and restacking charges, container charges, airfreight charges and other similar charges not included in the supplier's invoice cost that are required to bring Product into the delivering Operating Company's warehouse. Applicable Freight for any Product will not exceed (i) the Supplier's normal freight charge to the receiving Operating Company to ship normal quantity requirements of such Product (including a freight charge that is part of a delivered price) or (ii) if the Supplier does not provide freight service, the rate normally payable by the Operating Company for inbound shipments of a similar quantity of Product."

Operator recognizes and agrees that Sysco shall be entitled to compensation for performance of merchandising or other services to or for the benefit of suppliers as more specifically set forth below and that such compensation is not deducted from or otherwise offset against the Cost utilized in determining the Sell Price of Products:

“Sysco Corporation and its affiliates, including SMS, perform value-added services beyond those typically provided by other distribution companies in the foodservice industry. These services include, but are not limited to, (i) supply chain services such as consolidation of Operating Company purchases from suppliers, management of supplier ordering processes, consolidation of payments by Operating Companies to suppliers, processing claims by Operating Companies for Product loss and shortages, advanced inventory management, freight consolidation and management and other services associated with management of the total supply chain, (ii) quality assurance and (iii) regional and national marketing and performance-based product marketing. To bring these supply chain efficiencies to our customers requires Sysco and its affiliates, including SMS, to accept responsibility for management of certain business functions and expenses once borne by the supplier. There are also instances where Sysco and its affiliates, including SMS, incur additional costs in order to generate savings when considering the entirety of the supply chain which is the case with activities such as redistribution, freight consolidation, and cross docking. Therefore, Sysco and its affiliates, including SMS, may recover the costs of providing these services, may be compensated for these services and may retain any savings they may receive throughout the supply chain by utilizing their expertise, resources and capital, much of which is used to offset expenses already incurred. Sysco considers such cost recovery, compensation and retained savings to be earned income. Receipt of such cost recovery and earned income does not reduce Cost and does not diminish the commitment of Sysco and its affiliates, including SMS, to provide competitive prices to their customers.”

3. Pricing, Delivery and Credit Terms. Unless otherwise set forth in the Location Specific Terms, the pricing of Products to be provided under this Agreement for the Subject Locations shall be established by the Master Organization or its Designee (as defined below), pursuant to the DSA. In addition, delivery frequencies, credit terms and other supplemental and/or modified terms applicable to the Subject Locations are set forth in the credit application executed by Operator and provided to the delivering Operating Company (the “Credit Application”) or in the Location Specific Terms. Operator recognizes and agrees that the DSA provides for the modification of pricing terms if certain distribution criteria, as referenced in the DSA, are not achieved, and agrees to be bound by any adjustments in the pricing terms permitted under the DSA and/or negotiated and agreed to by the Master Organization and/or any third party that it has designated or authorized to do so, either expressly or pursuant to the terms of the DSA (the “Designee”).

4. Financial Reports. The continuing creditworthiness of Operator is of central importance to Sysco. In order to enable Sysco to monitor Operator’s financial condition, Operator will, if requested by Sysco, provide quarterly, annual or other financial statements (audited, if available) to Sysco consisting of an income statement, balance sheet, statement of cash flow and, if available, auditor’s opinion and supporting discussion notes. Sysco may request and Operator shall provide such further financial information from time to time, sufficient, in Sysco’s judgment, to enable Sysco to accurately assess Operator’s financial condition.

5. Termination.

(a) This Agreement shall remain in full force and effect until the expiration or earlier termination of the DSA, unless this Agreement and Sysco's obligation to provide distribution services hereunder to the Subject Locations earlier is terminated:

- (i) By Sysco, for convenience purposes, at any time after the Initial Term of the DSA (as defined therein), upon not less than ninety (90) days prior written notice to Operator;
- (ii) upon the direction of the Master Organization;
- (iii) By either party upon the termination of the Operator Agreement;
- (iv) By either party upon (60) sixty days written notice to the other party for failure of the other party to comply with any material provision of this Agreement and the breaching party fails to cure such breach within such sixty (60) day cure period;
- (v) By Sysco if Sysco has reasonable grounds for insecurity as to Operator's continued payment and performance, which shall specify the grounds for such determination, unless, within such seven (7) day period, Operator provides adequate assurances to Distributor of its continued payment and performance ability;
- (vi) By either party immediately upon the occurrence of the following with respect to the other party: insolvency, cessation of business or operating as a going concern, assignment or attempted assignment of assets for the benefit of creditors or similar acts, bankruptcy, or institution of similar proceedings of, by or against the other party, or dissolution or liquidation of the other party, unless, in the case of the foregoing events affecting the Operating Company, its obligations hereunder are assumed by an affiliated Operating Company or its parent company, provided that, in each case, the assuming entity is not subject to any of the foregoing circumstances.

(b) If Operator fails to pay for any Products delivered to any Subject Locations within the approved payment terms established pursuant to the Credit Application or this Agreement, Sysco may, following five (5) days written notice, withhold any future deliveries of Products to the Subject Locations until Sysco receives payment in full of the Sell Price with respect to such Products and any finance or late charges permitted under the Credit Application or this Agreement. In addition, if Operator fails to timely pay for Products delivered to any of the Subject Locations or in the event of any of the circumstances described in clause (v) above with respect to Operator (excepting the notice provisions contained therein), Sysco shall be entitled, immediately upon notice to Operator, to condition future deliveries of Products to the Subject Locations upon more stringent credit and/or payment terms, such as, without limitation, shortened payment periods, cash on delivery, cash in advance, the receipt of satisfactory letters of credit and/or third party guaranties that guarantee payment to Sysco for such Products, and/or the pledging of collateral to secure such payments.

6. Release. Operator agrees that Sysco's ability to perform distribution services for Operator under this Agreement is expressly contingent upon the Master Organization's and/or its Designee's approval for Sysco to do so. Accordingly, Operator hereby releases Sysco, it affiliates, and each of their respective officers, employees, and directors from any and all losses, damages, or claims ("Claims") that Operator may have or suffer as a result of (i) Sysco's discontinuance of services to Operator as a result of express instructions from the Master Organization to cease such services or the Sysco – SpenDifference HuHot A&R DSA 20140919

termination of the DSA and (ii) Sysco's sharing of information with the Master Organization and/or its Designee concerning purchases by Operator, including, without limitation, Operator's payment histories, and other similar matters relating to Operator's membership in, or status as a franchisee of, the Master Organization or performance under this Agreement. Operator further releases Sysco from any Claims arising from Sysco's payment of allowances or other compensation to Master Organization and/or its Designee, based, in whole or in part, upon sales of Product to Operator.

7. Confidentiality. Operator agrees to keep all terms of this Agreement and related financial information ("Protected Information") confidential, will use Protected Information solely to enable it to perform its obligations hereunder, and will not disclose any Protected Information concerning this Agreement to any person or entity without the prior express written consent of Sysco; provided, however, that Protected Information may be provided (i) by Operator to those of its employees who need such information to enable Operator to perform its obligations hereunder, (ii) by Operator to its auditors, consultants and advisors who agree to keep such information confidential or are otherwise bound to restrictions on disclosure, (iii) by Operator to Master Organization, and (iv) by Operator to any prospective purchasers of all or part of its business, provided that such prospective purchasers have executed and delivered a confidentiality agreement in form and substance approved by Sysco, which approval shall not unreasonably be withheld or delayed. Protected Information shall not include information which (x) is now or hereafter becomes part of the public domain or (y) was received by Operator from a third party under no obligation of confidentiality to Sysco. In the event that such disclosure is required by applicable law, regulation or court order, Operator agrees if reasonably practicable, to refrain from such disclosure until such time as Sysco has received written notice with regard to any required disclosure and Sysco has had a reasonable opportunity to contest the basis for disclosure and review the content of any disclosure proposed to be made to any person or entity.

8. Waiver of Jury Trial. Operator affirmatively waives its right to jury trial with respect to any disputes, claims or controversies of any kind whatsoever under this Agreement or the DSA.

Effective as of the date first above written.

OPERATOR

By: _____
Name: _____
Title: _____

SYSCO _____, _____

By: _____
Name: _____
Title: _____

EXHIBIT E
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT

Average Delivery Size Adjustment

Following the completion of each KPI Adjustment Period (as such term is defined in Section 9.8.3 of the Agreement), SpenDifference and DISTRIBUTOR will review the average delivery size for all deliveries made to all Units during the same measurement period. If the average delivery size is above or below the Base Range indicated in the table below, the Sysco Fee for all Units shall be increased or decreased, as applicable, by the Sysco Fee adjustment amount that corresponds to the applicable average delivery size tier set forth in the table below, such adjustment to be effective for the contract year (November 1 – October 31) immediately following the applicable KPI Adjustment Period reviewed. Only sales of Products to Units that DISTRIBUTOR has serviced for at least six (6) months during the applicable KPI Measurement Period will be included within the calculation of average delivery size.

Average Delivery Size	Sysco Fee Adjustment
\$4,801.00 or greater	-.15 percentage points
\$4,301.00 - \$4,800.99	-.10 percentage points
\$3,380.00 - \$4,300.99 ("Base Range")	No adjustment
\$3,300.00 - \$3,799.99	+.60 percentage points
\$2,800.00 - \$3,299.99	+1.20 percentage points
Less than \$2,800.00	To Be Discussed

If the Average Delivery Size is less than \$2,800.00, the Sysco Fee shall be increased by an amount to be mutually agreed upon between SpenDifference, Customer, and DISTRIBUTOR, but not less than 3.90 percentage points.

**EXHIBIT F
TO AMENDED AND RESTATED
DISTRIBUTION SERVICES AGREEMENT**

Other Adjustments, Surcharges, and Incentives

Small Order Surcharge

All deliveries of less than \$1,900.00 to any Unit will be subject a small order delivery surcharge in accordance with the following chart:

<u>Delivery Size</u>	<u>Small Order Delivery Surcharge</u>
\$900.00 or less	\$175.00
\$900.00 to \$1,099.99	\$150.00
\$1,100.00 to \$1,299.99	\$125.00
\$1,300.00 to \$1,499.99	\$100.00
\$1,500.00 to \$1,699.99	\$ 75.00
\$1,700.00 to \$1,899.99	\$ 50.00

Notwithstanding the foregoing, the Units operating under the NuHu Express Mongolian Grill concept, as well as Hot Grills Unit (store #17) located at 2720 Council Tree Ave., Fort Collins, CO, HuHot Kalispell and HuHot Missoula will not be assessed a small order surcharge for deliveries of \$900 or greater.

Delivery Allowance

The Sysco Companies will offer an individual delivery size incentive allowance (the “Individual Delivery Incentive”) as provided in the schedule below. The Individual Delivery Incentive will be based on each individual Unit delivery and will be shown as a single line item entry on the face of the invoice related to such delivery. The dollar amount of the Individual Delivery Incentive will equal the specified allowance per case, multiplied by the total number of cases of Products contained in such delivery other than Controlled Price Products. Controlled Price Products will, however, be included in determining the size of the delivery. Customer or a Franchisee, as applicable, shall not be eligible to receive or take the Individual Delivery Incentive unless it pays the invoice containing such allowance in accordance with the payment terms specified in or determined in accordance with Section 13.4 (“Payment Terms”). The Sysco Companies will periodically review payment history of Customer and each Franchisee to determine whether Customer or the Franchisee, as applicable, was eligible to receive this allowance. If the Sysco Company determines that the allowance was taken but Customer or the Franchisee, as applicable, was not eligible to receive same, the Sysco Company reserves the right to reverse or offset any allowances so taken in the manner it deems appropriate and/or modify or suspend this allowance with regard to such Customer or Franchisee until such Customer or Franchisee demonstrates compliance with its Payment Terms to the satisfaction of the Sysco Company.

<u>Delivery Size</u>	<u>Allowance per Case</u>
180 to 199 cases	\$0.02
200 to 219 cases	\$0.03
220 to 239 cases	\$0.04
240 cases or more	\$0.06

Non-Electronic Order

Any order made by a Unit in a manner other than via eSysco or other mutually approved electronic ordering system will be subject to a Non-Electronic Order fee of \$15.00 per order.

Extended Payment Terms Surcharge

Provided that Customer or the applicable Franchisee remains sufficiently creditworthy, as reasonably determined by the servicing Sysco Company, for the following extended payment terms set forth below, Customer or such Franchisee will be offered such extended payment terms, subject to the following increases in the Sysco Fee:

For Net 21 Day Payment Terms – under which payment must be received by the Sysco Company within 21 days of the invoice date – the Sysco Fee will be increased by 0.1 percentage point.

For Net 28 Day Payment Terms – under which payment must be received by the Sysco Company within 28 days of the invoice date – the Sysco Fee will be increased by 0.2 percentage points.

For payment terms other than those set forth above, the delivering Operating Company will establish the amount of the increase in the Sysco Fee.

Prompt Payment Terms Incentive

Provided that Customer or the applicable Franchisee remains sufficiently creditworthy, as reasonably determined by the servicing Sysco Company, for the standard payment terms set forth in the Schedule, Customer or such Franchisee will be offered a prompt payment term incentive equal to a percentage of total Sell Prices on invoices where payment is received within the number of days following the invoice date during each quarter, as set forth below. The prompt payment term incentive will be paid to the Customer or the Franchisee, as the case may be, within thirty (30) days following the quarter for which the incentive is payable.

For Net 3 to 7 Day ACH Payments – under which payment in full via ACH must be received into the Sysco Company's designated account within 7 days of the invoice date, or payment in full via the Unit's credit card, with charge authorization received by the Sysco Company within 7 days of the invoice date -- an allowance of 0.10% of the total Sell Prices of all Products paid for in the applicable invoice, other than Controlled Price Products.

For Net 1 to 2 Day Payments - under which payment in full via ACH must be received into the Sysco Company's designated account within 2 days of the invoice date, or payment in full via

Unit's credit card, with charge authorization received by the Sysco Company within 2 days of the invoice date – an allowance of 0.20% of total Sell Prices of all Products paid for in the applicable invoice, other than Controlled Price Products.

RIDER E to FRANCHISE AGREEMENT

Copy of Coca Cola Participation Agreement

See following pages

**COCA-COLA FOODSERVICE
BEVERAGE MARKETING AGREEMENT
HuHot Mongolian Grill Franchisee Participation Agreement
September 19, 2012**

1. SCOPE OF MARKETING AGREEMENT

The parties to the Beverage Marketing Agreement (the "**Agreement**") are the franchisee identified on the signature page ("**Franchisee**") and Coca-Cola FoodService ("**CCF**"), part of The Coca-Cola Company ("**Company**"). HuHot Mongolian Grills, LLC is referred to as "**Franchisor**" or "**Corporate**." The Agreement will apply to all HuHot Mongolian Grill outlets where Beverages are served that are owned or operated by Franchisee, or has the same ownership group as Franchisee, including (a) any HuHot Mongolian Grill outlets that are opened after the Agreement is signed, (b) any HuHot Mongolian Grill outlets that are co-branded, and (c) any HuHot Mongolian Grill outlets acquired during the Term of the Agreement, unless those outlets are already governed by an agreement with Company and that agreement is validly assigned to Franchisee or its subsidiaries as part of the acquisition. If the acquired outlets are under a pre-existing agreement with a competitive beverage supplier, the acquired outlets will come under this Agreement after the competitive agreement is terminated or expires.

The Agreement will not apply to any outlets outside the fifty United States. All outlets to which the Agreement applies are referred to as "**Covered Outlets**." All outlets owned or operated by Franchisor are referred to as "**Corporate Outlets**." Outlets owned by Franchisee and other authorized franchisees of Franchisor that are participating in CCF's program are referred to as "**Participating Franchised Outlets**." Participating Franchised Outlets and Corporate Outlets are together referred to as "**Participating System**" or "**Participating System Outlets**." The programs described in this Agreement are the only programs in which the Participating System Outlets may participate during the Term.

2. TERM

The Agreement will become effective when signed by both parties. If Franchisee signs this Agreement and returns it to CCF on or before October 31, 2012, the Term shall begin as of August 1, 2012; otherwise, the Term shall begin as of the first day of the month in which it is signed by Franchisee. The Term will continue until the Participating System Outlets have purchased the volume commitment of Company's Fountain Syrups. When used in the Agreement, the term "**Year**" means each consecutive twelve-month period during the Term, beginning with the first day of the Term and any remaining period of time between the last full twelve-month period and the end of the Term. The beverage marketing agreement's term between Corporate and CCF began on August 1, 2012 (the "**Corporate Agreement**"); therefore, "**Year One**" as referenced in this Agreement, refers to the time period between August 1, 2012 to July 31, 2013.

3. ENTIRE AGREEMENT

This Agreement also consists of: **Exhibits A-1 through A-2** Program Terms and Conditions; **Exhibit B** Definitions; **Exhibit C** Standard Terms and Conditions; **Exhibit D** Equipment Lease Terms; **Exhibit E** Equipment Sale Agreement; and **Schedule A** Coca-Cola Freestyle® Terms. As of the beginning of the Term, this Agreement will supersede all prior agreements between the parties relating to the subject matter of this Agreement. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by authorized representatives of both parties.

THIS AGREEMENT SHALL NOT BE EFFECTIVE UNTIL SIGNED BY FRANCHISEE AND AN AUTHORIZED REPRESENTATIVE OF COMPANY.

Accepted and agreed to this ____ day of _____,
20____

Accepted and agreed to this ____ day of _____,
20____

COCA-COLA FOODSERVICE

FRANCHISEE: _____
(Please print clearly legal name of ownership)

By: _____
(signature)
Tony Ferlauto
Vice President of Sales, Central Zone - Midwest

By: _____
(signature)
Name: _____
Title: _____
Address: _____

#335948

ACN: _____

Franchisee initials _____

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EXHIBIT A-1
FOUNTAIN PROGRAM TERMS AND CONDITIONS

1. EXCLUSIVITY, AVAILABILITY AND NO COMPETITIVE ADVERTISING

a. Fountain

Each Covered Outlet will serve a core brand set of Fountain Beverages. That brand set will consist of: (i) Coca-Cola®, Diet Coke®, Sprite® and, on equipment with eight (8) valves or more, Coke Zero™ (with the remaining products being jointly selected by Franchisee and Company) on traditional fountain dispensers ("**Legacy Dispensers**"); and (ii) the then current standard Freestyle brand set on Coca-Cola Freestyle® dispensers ("**Freestyle Dispensers**"). All Fountain Beverages served in the Covered Outlets will be Company's Beverages, with the exception of regular Dr Pepper® brand on one valve per Legacy Dispenser in each Covered Outlet (a "**Permitted Exception**"). However, each Covered Outlet may serve both Dr Pepper® brand and Diet Dr Pepper® brands on Freestyle Dispensers so long as Company has the right to dispense these brands from Freestyle Dispensers.

Furthermore, Company's Tea Beverages will be the only Tea Beverages served in the Covered Outlets.

In addition, Franchisee may not dedicate any valve on a Legacy Dispenser leased from Company to dispense tap water.

b. Bottle/Can and Other Forms

The Covered Outlets will not to serve Competitive Beverages in bottles, cans, cups or other packaging or form.

c. No Competitive Advertising

With the exception of the Permitted Exception, no Competitive Beverages will be depicted, advertised, promoted, or merchandised anywhere in or in association with the Covered Outlets, except for special events in which a Competitive Beverage supplier may be a sponsor or for special requests by consumers who may request Competitive Beverages for a conference or meeting.

2. NATIONAL CHAIN ACCOUNT PRICE

Company agrees that during the Term, Franchisee will have the right to purchase Fountain Syrups, including Tea Syrups, from Company at Company's then-current published chain account prices, which prices are subject to change from time to time (except as stated in **Schedule A**).

3. MARKETING PROGRAM

a. Auditing and Scope

In consideration of the Beverage Availability rights granted to Company above, the marketing programs outlined below will be provided to assist Franchisee in maximizing the sale of Company's Fountain Beverages and Tea Beverages in the Covered Outlets. Franchisee agrees that Company will have the right to audit compliance with the performance criteria outlined herein at all reasonable times and places.

b. New Outlet Fund

Company will provide funding of \$2,000 for each new Covered Outlet that is opened during the Term. The purpose of the fund is to offset costs associated with the opening of a new Covered Outlet. Funding will be paid to Franchisee as each new Covered Outlet is opened.

Franchisee initials _____

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c. Freestyle Acceleration Fund

During Year One only, Company will provide funding of \$2,000 for each Covered Outlet that converts from Legacy Dispensers to Freestyle Dispensers. The purpose of the fund is to offset costs associated with the conversion to Freestyle Dispensers. Funding will be paid to Franchisee as it converts to Freestyle Dispensers during Year One only.

d. BIB Conversion Fund

The amount of the fund is determined by multiplying \$2.00 by documented volume of competitive BIB Fountain Syrup purchased in gallons by the Covered Outlets in the twelve months preceding initial conversion. Funding will be paid to Franchisee on behalf of its Covered Outlets following execution of this Agreement with CCF.

e. Marketing Support Funds

Funding is earned at the rate of (i) \$3.75 for each gallon of BIB Fountain Syrup the Covered Outlets purchase where Legacy Equipment is installed if the Covered Outlets serve Company brands exclusively or (ii) \$3.50 for each gallon of BIB Fountain Syrup the Covered Outlets purchase where Legacy Equipment is installed if the Covered Outlets serve a Permitted Exception. To qualify for funding, Franchisee must comply with all of the following performance criteria and all other obligations under this Agreement:

- Implement and maintain a drinking vessel size as suggested by Company and agreed to by the parties, but no fewer than 20 oz., in each Covered Outlet.
- Prominently display approved renditions of Company's trademarks on all menus.
- Include approved renditions of Company's brands, trademarks and/or logos on the following: table tents, chalk board/ dry erase lobby stand.
- Execute annually a minimum of three (3) promotional programs featuring Company's Fountain Beverages as agreed upon by the parties.
- Provide regular access to Beverage sales data.
- Perform those additional Fountain Beverage promotional activities that the parties mutually agree upon.

Funding will be paid to Franchisee on behalf of its Covered Outlets, within sixty (60) days following the period in which it is earned.

4. EQUIPMENT AND SERVICE PROGRAMS

a. Legacy Dispensers and Freestyle Dispensers

Franchisee will have the choice of using either Legacy Dispensers or Freestyle Dispensers in each Covered Outlet (but both cannot be used in a Covered Outlet). The terms for each dispenser are set forth below. If Franchisee decides to use a Freestyle Dispenser for any Covered Outlet then purchases of Freestyle components, mixes and flavors mixes (which are at a much higher concentration level than BIB) will be converted into equivalent BIB gallons and (i) purchases of components, mixes and flavors will be eligible for the funding paid and earn outs on the purchases of BIB as set forth above and (ii) purchases of components and mixes will count towards the Volume Commitment. If Franchisee decides to switch from a Legacy Dispenser to a Freestyle Dispenser, or vice versa, then Franchisee will be responsible for the lease termination costs set forth in Section 1 of **Exhibit D.**, with the exception of the conversion of existing Legacy Dispensers installed in the Covered Outlets to Freestyle Dispensers following the execution of this Agreement.

b. Legacy Dispensers**i. Equipment**

Company will lease without charge to Franchisee for each Covered Outlet an equipment package consisting of the following (or its equivalent): (i) one 8-valve ice combo dispenser; (ii) one variety Tea tower for those Covered Outlets serving Gold Peak or other Company approved BIB Tea; and any ancillary equipment necessary to enable Franchisee to dispense a quality BIB Fountain Beverage in the Covered Outlets. No ice makers or water filters will be provided. In any state where a lease without charge is not permitted (e.g., Wisconsin) or Franchisee elects to lease additional equipment, such equipment will be leased to Franchisee at an annual lease rate calculated by multiplying the total installed cost of the additional equipment by the then-current lease factor. The lease factor currently in effect for equipment is 0.24. Should the lease factor change during the Term, any equipment installed after the change goes into effect will be subject to the new lease factor. Lease charges, if any, will be deducted from earned funding. Charges in excess of earned funding will be invoiced. All equipment provided by Company will at all times remain the property of Company and is subject to the terms and conditions of Company's standard lease agreement ("**Lease**"). The Lease terms are attached as **Exhibit D** and are a part of the Agreement.

ii. Service for Legacy Equipment

Franchisee may use Company's Service Network without charge for up to three (3) regular mechanical repair calls for Fountain Beverage and Tea Beverage dispensing equipment per Year for each Covered Outlet. These calls are calculated sequentially on a per outlet basis and may be aggregated. Parts required for these regular mechanical repair calls will also be provided without charge. Any removal, remodel, relocation or reinstallation of dispensing equipment, installation or removal of ice makers, service caused by ice, flavor changes, summerize/winterize, line changes, or service necessitated by damage or adjustments to the equipment resulting from misuse, abuse, failure to follow operating instructions or service by unauthorized personnel, unnecessary calls (equipment was not plugged in, CO2 or Fountain Syrup container was empty), or calls that are not the result of mechanical failure (collectively "**Special Service Calls**"), are not considered regular service and will not be provided free of charge. Charges for Special Service Calls or for regular mechanical repair calls in excess of those available without charge under this program will be charged at Company's then current rate, and will be deducted from earned funding. Charges will include labor, travel time, parts, and administrative costs. Charges in excess of earned funding will be invoiced.

c. Freestyle Dispensers

The terms for Freestyle Dispensers and related products and services are more set forth in **Schedule A**.

Franchisee initials _____

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EXHIBIT A-2
GOLD PEAK® FRESH-BREWED TEA PROGRAM TERMS AND CONDITIONS

1. TEA BEVERAGE EXCLUSIVITY

The only Tea Beverages sold, served, or sampled at the Covered Outlets will be Company's Tea Beverages.

2. TEA BEVERAGE MARKETING PROGRAM

To qualify for the Tea Marketing Funding set forth in section 4 below, Franchisee and each Covered Outlet must comply with all the following performance criteria and all other obligations under this Agreement:

- Implement and maintain a vessel size as suggested by Company and agreed to by the parties, but no fewer than 20 oz.
- Prominently display approved renditions of Company's Tea Beverage trademarks on all menus.
- Implement a permanent free refill program featuring Company's Tea Beverages.
- Include approved renditions of Company's Tea brands, trademarks and/or logos on the following: table tents, glass/tumbler, chalk board/ dry erase lobby stand.
- Execute annually a minimum of three (3) promotional programs featuring Company's Tea Beverages as agreed upon by the parties.

3. TEA PRICING AND MARKETING FUNDING

National Chain Account Price

Company agrees that during the Term, Franchisee will have the right to purchase Tea from Company at Company's then-current published chain account prices, which prices are subject to change from time to time. The current national chain account prices for Company's Tea products are set forth in column C of the chart below. Prices are quoted "FOB plant" and therefore do not include distributor mark-up, freight and delivery fees, or platform upcharges that may be a component of freight.

Tea Marketing Funding

The amount of available funding is shown in column D of the chart below and will be paid on each physical case of Company Teas that Franchisee purchases. Funding will be paid semi-annually to Franchisee on behalf of its Covered Outlets, following the period in which it is earned.

Pricing For Gold Peak® Fresh Brewed Iced Tea
 (Subject to change)

A SKU	B Item	C Initial List Price Effective Date as of January 1, 2012	D Funding per physical case
0765 1076	Gold Peak Black Tea (32/2.75-ounce packets per case)	\$38.00	\$12.00
0765 1076	Gold Peak Black Tea (96/2.75-ounce packets per case)	\$97.36	\$12.00

Franchisee initials _____

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4. **TEA EQUIPMENT PROGRAM**

Turnkey Program

Company will provide to Franchisee Tea Equipment consisting of one (1) BUNN TB3Q brewer, two (2) urns, and wraps, delivery and installation. Upon installation, ownership of the Equipment will transfer to Franchisee according to the Terms and Conditions of the attached **Exhibit "E"**, "Coca-Cola Equipment Sale Agreement." This Equipment is provided in return for Franchisee's commitment to serve Company's Tea Beverages in the Covered Outlets throughout the Term.

5. **SERVICE PROGRAM**

Tea Service

Tea Service is described fully in Section 5b(ii) of **Exhibit "A-1"**.

Franchisee initials _____

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EXHIBIT B DEFINITIONS

Certain capitalized words or phrases are used throughout this document. Such words or phrases have the following meanings:

1. "**Beverage**" means all soft drinks and other non-alcoholic beverages.
2. "**Competitive Beverages**" means all Beverages that are not Company Beverages, and any products, whether or not Beverages, marketed under Beverage trademarks that are not Company Marks (e.g., "Gatorade Energy Bars").
3. "**Fountain Beverages**" are those Beverages that are dispensed from post-mix or pre-mix (but not frozen) beverage dispensers, bubblers, or similar equipment.
4. "**Fountain Syrup**" means the Fountain Beverage syrup used to prepare Fountain Beverages, but does not include other forms of concentrate, such as frozen concentrates used to prepare juices, or liquid coffee concentrate.
5. "**Tea**" means the post-mix tea, tea leaves or tea powder used to make Tea Beverages.
6. "**Tea Beverages**" means iced and hot teas that are freshly brewed or dispensed from post-mix, pre-mix Tea brewers, dispensers, bubblers, or similar equipment.
7. "**Tea Syrups**" means Teas in BIB that are dispensed from post-mix dispensers.

EXHIBIT C

STANDARD TERMS AND CONDITIONS

1. TERMINATION AND DAMAGES

Once both parties sign the Agreement, it may be terminated before the scheduled expiration date only in the following circumstances: (i) Either party may terminate the Agreement if the other party fails to comply with a material term or condition of the Agreement and does not remedy the failure within ninety (90) days after receiving written notice specifying the non-compliance; or (ii) Company may terminate the Agreement if, at any time during the Term or over the course of the Term, there is a transfer or closing of a substantial number of the Covered Outlets or a transfer of a substantial portion of the assets of Franchisee that is not in the ordinary course of business.

Upon expiration or termination, Franchisee must return any dispensing equipment owned by Company and the marketing program will no longer be made available to Franchisee. In addition, if any piece of equipment is removed from a Covered Outlet prior to 100 months from the installation date for that piece of equipment, Franchisee will pay Company the actual cost of removal (including standard shipping and handling charges) and remanufacturing of the Equipment, as well as the unamortized portion of the costs of (i) installation and (ii) non-serialized parts (e.g., pumps, racks and regulators) and other ancillary equipment. Collectively, removal costs and items (i) and (ii) are referred to as "unbundling costs." Upon termination, Franchisee must also pay the following amounts: (a) All paid but unearned funding; plus (b) Interest at the rate of 1%, compounded monthly, or such lesser percentage as required by law, accrued from the date funds were paid or unbundling costs were incurred through the date of repayment.

The parties acknowledge that in addition to the liquidated damages outlined above, either party may pursue other remedies or damages if the other party breaches the terms of the Agreement. Nothing herein shall be construed as a waiver of any right of Company to prove consequential damages as a result of a breach by Franchisee including, but not limited to, lost profits, and other damages allowable.

2. GOVERNING LAW/ DISPUTE RESOLUTION

This Agreement shall at all times be governed by the laws of the State of Georgia. Should there be a dispute between Company and Franchisee relating in any way to the Agreement, the breach of the Agreement, or the business relationship of the parties, the parties agree that they will make a good faith effort to settle the dispute in an amicable manner. In the event of any dispute arising out of or relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses of litigation. If litigation is pursued, the exclusive venue for such litigation shall be in the federal or state courts located in Atlanta, GA, and the parties agree to submit to the personal jurisdiction of the courts in the State of Georgia.

3. TRANSFERS AND ASSIGNMENTS

If there is a transfer of a substantial number of the Covered Outlets, or a transfer of a substantial portion of the assets of Franchisee that is not in the ordinary course of business, and Company does not elect to terminate the Agreement under the "Termination" section above, then, at Company's election, Franchisee shall cause the acquiring, surviving or newly created business to assume all of Franchisee's obligations under the Agreement with regard to the acquired assets or business. The Agreement shall not be otherwise assignable without the express written consent of Company. Nothing contained herein shall be construed as a waiver of Company's termination rights pursuant to this Agreement.

If Franchisee transfers or closes any Covered Outlets, Franchisee shall pay Company the unbundling costs (as defined in the "Termination" section above) on equipment in such Covered Outlet installed less than 100 months prior to the transfer or closure, unless Franchisee causes the new owner or operator at the location to assume the lease of the equipment on terms acceptable to Company in its reasonable discretion.

4. TRADEMARKS

Neither Franchisee nor Company shall make use of Company's or Franchisee's trademarks or logos (either alone or in conjunction with its or another party's trademarks or logos) without the prior written consent of that party, and all use of the other party's trademarks shall inure to the benefit of trademark owner. For purposes of this Agreement, Company's trademarks include trademarks owned, licensed to or controlled by an entity in which Company has a fifty percent (50%) or more ownership interest.

5. CONFIDENTIALITY

Neither party shall disclose to any third party without the prior written consent of the other party, any information concerning this Agreement or the transactions contemplated hereby, except for disclosure (1) to any attorneys, accountants and consultants involved in assisting with the negotiation and closing of the contemplated transactions, or (2) to affiliates of Company including Company's Bottlers, or (3) to Franchisor, or (4) as required by law. A party that makes a permitted disclosure must obtain assurances from the party to whom disclosure is made that such party will keep confidential the information disclosed. See Schedule A for additional confidentiality obligations.

6. OFFSET

If Franchisee owe any amounts to Company under this or any other agreement, in addition to any other remedies it may have, Company may use funds due Franchisee to offset amounts due to Company under this or any other agreement. Excess lease charges, service costs and fair share charges, if any, will be deducted from earned funding.

7. FORCE MAJEURE

Franchisee initials: _____

Either party is excused from performance under this Agreement if such nonperformance results from any act of God, strikes, war, terrorism, riots, acts of governmental authorities, shortage of raw materials or any other cause outside the reasonable control of the nonperforming party.

8. WAIVER

The failure of either party to seek redress for the breach of, or to insist upon the strict performance of any term, clause or provision of the Agreement, shall not constitute a waiver, unless the waiver is in writing and signed by the party waiving performance.

9. WARRANTIES

Franchisee and Company each represent and warrant that they have the unrestricted right to enter into this Agreement and to make the commitments contained in this Agreement. In addition, each party represents that the person whose signature appears on the Agreement has the right to execute this Agreement on behalf of the party indicated. Franchisee represents and warrants that it complies with all applicable laws and regulations and all appropriate practices with respect to food safety including the storing, preparation and serving of food and potability of water. Furthermore, Franchisee acknowledges and agrees to comply with all equipment manufacturers' specifications and product dispensing and preparation instructions and specifications. Finally, Franchisee agrees to comply with Company's Quality Beverage standards.

10. CONSTRUCTION/ SEVERABILITY

This Agreement and any accompanying documents constitute negotiated agreements between the parties, and the fact that one party or its counsel, or the other, shall have drafted this Agreement, any document or particular provision hereof shall not be considered in the construction or interpretation of this Agreement, the documents or any provision hereof. If any term or provision of this Agreement is found to be void or contrary to law, such term or provision will be deemed severable, but only to the extent necessary to bring this Agreement within the requirements of law, from the other terms and provisions hereof, and the remainder of this Agreement will be given effect as if the parties had not included the severed term herein.

11. ADDITIONAL TERMS

Franchisee agrees:

- a. Not to transfer or resell any of Company's products to any other entity (other than Franchisee's own Covered Outlets), or for residential or home use;
- b. To use Fountain Syrup only to prepare a finished Beverage that is dispensed to consumers in cups, glasses or other containers designed for reasonably immediate consumption and not for extended storage;
- c. Not to sell finished Fountain Beverages through a dispenser whereby the consumer fills returnable bottles or similar containers;
- d. Not to tamper with any seals or labeling on any Company products package;
- e. Not to repackage or transfer any Company products into other containers without Company authorization;
- f. Not to refill or reuse any Company products container;
- g. To comply with Company's quality assurance program, which is available on request from Company;
- h. To notify Company promptly of any quality problem related to its products at 1-800-241-2653;
- i. To rotate stock to ensure Company products are used before their shelf life date.

SCHEDULE A COCA-COLA FREESTYLE® TERMS

The Freestyle fountain dispenser combines ingredients (microdosed beverage components, beverage mixes and flavors stored in cartridges and nutritive and non-nutritive sweeteners stored in bag-in-boxes) to create a wide variety of branded fountain beverages. The dispenser and the ingredients are collectively referred to as the "Dispensing System."

1. PRICING AND ORDERING OF INGREDIENTS:

a. Franchisee will purchase the ingredients for the Dispensing System from Company, at Company's then-current chain account prices. Company's current pricing is attached as Schedule A-2 and will remain in effect through December 31, 2012.

b. Thereafter, Company agrees that the pricing for the ingredients set forth in Schedule A-2, except for HFCS Sweetener, will not increase in any given calendar year over the prior calendar year's most recent pricing by more than the greater of: (i) 4%; or (ii) a percentage determined for that calendar year by the following calculation based upon changes to the Consumer Price Index for Food Away From Home as published by the Department of Labor ("CPI"). Company will calculate the difference between (i) the monthly average of the CPI for the most recent prior October through September period ("CPI Most Recent Average") and (ii) the second most recent October through September period ("CPI Second Most Recent Average"). Company will then calculate what the percentage of this difference as compared to the CPI Second Most Recent Average. See Example 1 in Schedule A-4. The published CPI can be found at: <http://www.bls.gov/cpi/tables.htm>. If the Department of Labor discontinues publishing the CPI or materially changes the CPI, then Company will establish a different price ceiling methodology to be determined in its sole discretion.

c. Thereafter, Company agrees that the pricing for HFCS Sweetener in any given calendar year will be determined as follows. Company will calculate the difference between the monthly average of the Producer Price Index for Corn Sweetener as published by the Department of Labor ("PPI") for (i) the most recent prior October through September period ("PPI Most Recent Average") and (ii) the second most recent October through September period ("PPI Second Most Recent Average"). Company will then calculate what the percentage of this difference as compared to the PPI Second Most Recent Average. If the percentage is positive (i.e., the PPI Most Recent Average was greater than the PPI Second Most Recent Average), then Company will not increase its HFCS Sweetener pricing in the given calendar over the prior calendar year's most recent pricing by more than this percentage. If the percentage is negative (i.e., the PPI Most Recent Average was less than the PPI Second Most Recent Average), then Company will decrease its HFCS Sweetener pricing in the given calendar by this percentage compared to the prior calendar year's most recent pricing. See Example 2 in Schedule A-4. The published PPI can be found at: http://www.bls.gov/ppi/ppi_dr.htm. If the Department of Labor discontinues publishing the PPI or materially changes the PPI, or if Company uses a different nutritive sweetener than HFCS, then Company will establish a different pricing methodology for its nutritive sweetener to be determined in its sole discretion.

Orders for ingredients may be placed on-line using Company approved forms of payment (currently via credit card or auto draft) at <http://cokesmart.com>. Shipping Charges may apply. Company may offer other means of ordering in the future. Freestyle orders fulfilled directly by Company are subject to the terms attached as Exhibit A-3. Orders fulfilled by distributors are subject to terms offered by each distributor.

2. **FUNDING AND VOLUME COMMITMENTS:** Franchisee will be paid funding on the purchase of flavors and Company branded components and mixes in an amount that is equivalent to the variable funding on the purchase of Fountain Syrup (as that term is defined in the Agreement), and according to the schedule and subject to the performance requirements and criteria, set forth in the Agreement. The parties have agreed on this equivalent amount and it is set forth in Schedule A-4. Purchases of

Company branded components and mixes will also count towards any volume commitment under the Agreement. If Franchisee receives equipment leased without charge or free service under the Agreement, Company will create a fund ("Freestyle Operations Fund") for each installed dispenser. The amount of the Freestyle Operations Fund on a per dispenser basis is set forth in Schedule A-4. The Freestyle Operations Fund (a) will be controlled by Company, (b) will be allocated pro rata throughout the term of this Agreement; and (c) will only be applied against any Program Fees that may be due but not as a discount off the Program Fee and will not reduce any sales tax associated with the Program Fee.

3. **PROGRAM FEE:** Franchisee will pay Company its then current chain account monthly program fee per dispenser ("**Program Fee**") plus applicable sales tax. The current monthly chain account Program Fee is \$300. The monthly chain account Program Fee will not exceed \$300. The Program Fee will be invoiced. Company reserves the right to deduct the Program Fee from earned funding if Franchisee does not pay the Program Fee within 30 days of receipt.

4. **COOPERATION AND PERFORMANCE CRITERIA:** Franchisee will provide Company with store-level transaction, sales and operations data to evaluate the performance of the Dispensing System on beverage and overall store sales, traffic, profit, menu mix and operations. Franchisee agree to implement any other mutually agreed upon merchandising.

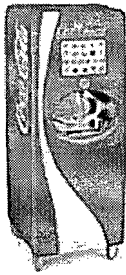
5. **EQUIPMENT:** Franchisee will lease the dispensers from Company subject to **Exhibit D**. Rent is included in the Program Fee. Franchisee must have a water filtration system that meets Company's water treatment standards.

6. **SERVICE:** Franchisee agrees to use the Company Service Network for any mechanical reactive service required for the dispensers and to first attempt to solve any equipment service related issues by using Company's Phone Fix® service. There will be no charge for mechanical reactive or reasonable preventative service, which is included in the Program Fee. Special Service calls will be charged at Company's then-current service rate. Special Service calls include relocation or reinstallation of dispensing equipment, line changes, service necessitated by damage or adjustments to the equipment resulting from misuse, abuse, failure to follow operating instructions or service by unauthorized personnel and unnecessary calls (e.g., equipment was not plugged in, CO2 or cartridges were empty).

7. **EQUIPMENT INSTALLATION AND REMOVAL:** **CONFIDENTIALITY:** The Dispensing System is proprietary to Company. Accordingly, Franchisee agrees that it will not permit any third party to inspect, analyze or reverse engineer the Dispensing System, nor will it disclose any information relating to the Dispensing System to any third party. Without limiting the generality of the previous sentence, Franchisees agree that it will only open the dispenser to change cartridges and will not permit (a) any photograph or other images to be taken of the inside of the dispenser or (b) any inspection or analysis of the interior portions of the dispenser by third parties.

8. **ACCESS TO COMPUTER SYSTEMS:** The Dispensing System connects and sends reports to computer systems at Company. Franchisee will not take any actions to disable or interfere with these connection and reporting features. Any Use of Company's computer systems is subject to the terms attached as **Schedule A-5**. Company will be using wireless communications to establish this connection and the fee for this, where available through Company's provider, is included in the Program Fee. Franchisee is responsible for providing comparable connectivity if wireless communications are not available through Company's provider and Franchisee bears all risks associated with Company's use of any such connectivity.

Franchisee initials: _____



Price Sheet

(Prices Effective January 1, 2012)

MICRODOSED BEVERAGE MIX

PRICE/UNIT

	Coca-Cola	\$42.10
	Coca-Cola Zero	\$42.10
	Diet Coke	\$42.10
	CAFFEINE FREE Diet Coke	\$42.10
	Sprite/Sprite Zero	\$42.10
	Barq's/Diet Barq's	\$42.10
	Pibb Xtra/Pibb Zero	\$42.10
	Mello Yello	\$42.10

MICRODOSED BEVERAGE COMPONENTS

PRICE/UNIT

		Dasani Flavors/ Dasani Sensations	\$42.10
		Powerade	\$42.10
		Powerade Zero	\$42.10
		Fanta/Fanta Zero	\$34.83
		Hi-C	\$34.83
		Minute Maid Lemonade/ Minute Maid Light Lemonade	\$17.63

MICRODOSED FLAVORS

PRICE/UNIT

	Lime	\$10.88
	Orange	\$10.88
	Cherry	\$10.88
	Raspberry	\$10.88
	Strawberry	\$10.88
	Fruit Punch	\$10.88
	Vanilla	\$10.88
	Lemon	\$10.88
	Grape	\$10.88
	Peach	\$10.88

SWEETENERS

PRICE/UNIT

	HFCS 65 Sweetener 5 gal BIB	\$21.14
	Non-Nutritive Sweetener Blend 2.5 gal BIB	\$66.35

(prices subject to change)
#20110929C

Franchisee initials: _____

SCHEDULE A-3 TERMS OF SALE

The following are the terms between Company and Franchisee relating to the products or services (collectively "Products") provided in connection with Freestyle. These terms prevail over terms contained in Franchisee's purchase order or other communications from Franchisee that are not accepted in writing by Company as provided herein. No modification, waiver or discharge of these terms or of any of its terms shall bind either party unless in writing and signed by officers of both parties.

2. CONSENT TO ELECTRONIC TRANSACTION AND COMMUNICATIONS. By virtue of placing orders for Products, Franchisee agrees to conduct business electronically, where applicable, and to be bound by these terms. Franchisee agrees that all agreements, notices, disclosures and other communications that Company provides electronically, whether in website content or e-mail, satisfy any and all legal requirements that such communications be in writing.

3. PAYMENT, INTEREST AND FEES. Unless otherwise agreed in writing, payment in full for Products is due at the time of ordering. Company will submit such payments for processing at the time Products are shipped. All payments must be made by their due date as a condition precedent to future orders or deliveries.

4. PRICES. Company is not responsible for pricing or typographical errors related to Franchisee's purchase and Company reserves the right to cancel any orders resulting from or including such errors.

5. GENERAL WARRANTIES. Company warrants the title conveyed under these terms will be good and its transfer rightful; and that the Products will be delivered free from any security interest or other lien or encumbrance whatsoever. Company warrants that the Products will be of merchantable quality and will conform to the descriptions made on the containers and labels of the Products.

6. LIMITED WARRANTIES AND REMEDIES.

a. Company guarantees that food Products shipped hereunder meet the requirements of the Federal Food, Drug and Cosmetic Act ("Act"), are not adulterated or misbranded within the meaning of the Act, and are products which, under the provisions of Sections 404 and 505 of the Act, may be introduced into interstate commerce. Company further warrants that the Products will, at the time of shipment, comply with all other federal laws, rules and regulations of all political subdivisions of the United States of America. This warranty is in like terms extended and applicable to any lawful state law or municipal ordinance in which the definitions of adulteration or misbranding are substantially the same as those in the Act.

b. Company warrants only the food Products itself, not any finished beverage made from any food Products, because the finished beverage incorporates water, CO2 gas and ice, none of which is provided by Company.

c. Franchisee agrees that its sole and exclusive remedy for breach by Company of any express or implied warranty for Products will be as follows: Company will, at its option, either replace the Products or refund the purchase price, and Company will indemnify and hold Franchisee harmless against (i) any claim, loss or expense by consumers for disease or bodily injury that results from or is caused by the chemical composition of the Products sold to Franchisee or any ingredient included by Company in any food Products, or (ii) any claim, loss, or expense arising out of any alleged patent or trademark infringement suit based on Franchisee's use or sale of Products as contemplated by Company, or (iii) any claim, loss or expense arising out of a breach of the warranty set forth in paragraph 5(a) above; provided, that such claim, loss or expense does not arise out of any wrongful act or omission of Franchisee or any third person or from a cause or causes beyond Company's reasonable control, and that the Products were handled under normal conditions of sale from the time of deliveries until resale or use; and provided further that (1) Franchisee will give Company timely written notice of the assertion or pendency of any such claim, (2) Company will have the right to defend any such claim, and (3) Company will have the right of approval prior to settlement or compromise of any such claim. FRANCHISEE AGREES THAT, EXCEPT AS STATED ABOVE, IN NO EVENT WILL COMPANY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OR LOST PROFITS RESULTING FROM ANY ALLEGED BREACH OF WARRANTY.

d. Franchisee will defend, indemnify and hold harmless Company and Company's officers, agents, employees, directors, shareholders, affiliates,

successors, and assigns (hereinafter, the "Indemnified Parties") against and from any and all claims, actions, suits, proceedings, demands, damages, and liabilities of whatever nature, and all costs and expenses, including without limitation Indemnified Parties' reasonable attorneys' fees and expenses, relating to or in any way arising out of any negligent or wrongful act of Franchisee or its employees or agents, including product tampering or failure to adhere to Company's Quality Assurance Program; provided, that such claim does not arise out of any wrongful act or omission of the Indemnified Parties or from a cause or causes beyond Franchisee's reasonable control; and provided further, that (1) Company will give Franchisee timely written notice of the assertion or pendency of such claim, (2) Franchisee will have the right to defend any such claim, and (3) Franchisee will have the right of approval prior to settlement or compromise of any such claim.

7. LIMITATION OF LIABILITY. COMPANY DOES NOT ACCEPT LIABILITY BEYOND THE REMEDIES SET FORTH HEREIN, INCLUDING BUT NOT LIMITED TO ANY LIABILITY FOR PRODUCTS NOT BEING AVAILABLE FOR USE, LOST PROFITS OR LOSS OF BUSINESS. COMPANY DOES NOT ACCEPT LIABILITY FOR ACTIONS OR INACTIONS OF ANY CONTRACTORS THAT MAY BE REFERRED TO FRANCHISEE OR WHOSE WORK MAY BE SCHEDULED BY COMPANY. EXCEPT AS EXPRESSLY PROVIDED HEREIN, COMPANY WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL, INDIRECT OR PUNITIVE DAMAGES, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, OR FOR ANY CLAIM BY ANY THIRD PARTY. FRANCHISEE AGREES THAT FOR ANY LIABILITY RELATED TO THE PURCHASE OF PRODUCTS, COMPANY IS NOT LIABLE OR RESPONSIBLE FOR ANY AMOUNT OF DAMAGES ABOVE THE AMOUNT INVOICED FOR THE APPLICABLE PRODUCTS. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, THE REMEDIES SET FORTH IN THIS AGREEMENT SHALL APPLY EVEN IF SUCH REMEDIES FAIL THEIR ESSENTIAL PURPOSE.

8. TRANSFER OF TITLE. Title to the Products shall pass when delivered to Franchisee at the "ship to" address stated on the front of each invoice ("Franchisee's Address"). Delivery shall be acknowledged by a signed and dated bill of lading.

9. DELIVERY. Unless otherwise agreed in writing, delivery of Products will be handled as set forth at <http://cokesmart.com>. Company reserves the right to require specific order quantities (e.g., full case orders) and make delivery in severable lots, and all such lots will be separately invoiced and paid for when due, without regard to subsequent deliveries. Delay in delivery of any lot will not relieve Franchisee of its obligation to accept remaining deliveries. The acceptance by Franchisee of shipment upon arrival of the Products at Franchisee's Address will constitute delivery to Franchisee.

10. INSPECTION. Franchisee must inspect the Products immediately on its delivery to Franchisee's location, and within 2 business days after delivery, give notice to Company if Franchisee believes that the Products is not in accordance with the Agreement. If Franchisee fails to give such notice, the Products will be deemed to be in all respects in accordance with the Agreement, and Franchisee will be bound to accept and pay for the Products in accordance with these terms. Franchisee may reject the Products only if any variance from these terms is material. All claims are deemed waived unless made in writing and received by Company within 15 days after Franchisee discovers the alleged defect, but in no event will credit be given for any alleged defect later than 90 days after delivery.

11. PASSWORDS AND SECURITY. As set forth in the terms of use at <http://cokesmart.com>, Franchisee agrees that it is solely and completely responsible for maintaining the confidentiality of Franchisee logins and passwords. Franchisee agrees to notify Company immediately of any unauthorized use of its account or other breach of security. Franchisee agrees that it will be responsible for all activity on its account, whether such activity was initiated by it, by others on its behalf, or by any other means or manner.

12. TAXES. In addition to the purchase price, Franchisee will pay Company the amount of all governmental taxes, excises and/or other charges (except taxes on or measured by net income) that Company may be required to pay with respect to the production, sale or transportation of the Products, except where the law otherwise provides.

SCHEDULE A-4
HFCS PRICING EXAMPLES AND FUNDING

1. HFCS PRICING EXAMPLES

Example 1

For example, to determine this percentage for 2013, Company would determine the monthly average of the CPI for October 2011 through September 2012 (by adding the CPI for each of the 12 months and dividing by 12). For this example, assume this average is 235.07. Company would do the same for the period from October 2010 through September 2011. Assume for this example this average is 232.49. Company would then take the difference between these two averages and divide by 232.49 to calculate this percentage for 2013. In this example, the percentage would be positive 1.1% and therefore Company would not increase 2013 pricing for the ingredients in Exhibit A other than HFCS Sweetener by more than 4% over the most recent pricing in 2012 (since 4% is greater than 1.1%).

Example 2

For example, to determine HFCS Sweetener pricing for 2013, Company would determine the monthly average of the PPI for October 2011 through September 2012 (by adding the PPI for each of the 12 months and dividing by 12). For this example, assume this average is 202.73. Company would do the same for the period from October 2010 through September 2011. Assume for this example this average is 197.78. Company would then take the difference between these two averages and divide by 197.78 to calculate the percentage price increase or decrease applicable in 2013. In this example, the percentage would be positive 2.5% and therefore Company would not increase 2013 pricing for HFCS Sweetener by more than 2.5% over the most recent HFCS Sweetener pricing in 2012.

2. FUNDING

HuHot Mongolian Grill	
	Marketing Fund
Variable Allowance Rate Legacy Syrup	\$3.75
Component	Rate per Cartridge
Mix Cartridges	\$15.28
Component Cartridges- 1 (Fanta, Hi-C)	\$12.65
Component Cartridges-2 (Dasani, Powerade)	\$15.28
Component Cartridges-3 (Minute Maid Lemonade)	\$6.40
Flavor Cartridges	\$3.95
Operations Credit per Dispenser per Month	\$72.97

Franchisee Initials: _____

Classified - Confidential

**SCHEDULE A-5
ACCESS AND USE TERMS**

1. **GENERAL.** Franchisee agrees that access and use of Company's proprietary network of websites ("**Computer Systems**") by Franchisee, including any individuals that are granted access through or by Franchisee, are subject to these terms and all applicable laws.

2. **COMPUTER SYSTEMS SECURITY**

a. Franchisee represents that it has read and agrees to ensure that its employees, and anyone else granted access to the Computer Systems, will comply with these terms. Franchisee will ensure that each workstation that is used to access the Computer Systems has a configuration that meets the following conditions: (i) current commercial anti-virus software is installed and a full system scan is performed; (ii) current operating system patch levels are applied; and, (iii) malicious software and hacker tools are removed or disabled.

b. Franchisee will not allow any third parties to access the Computer Systems without the written consent of Company.

c. Franchisee's access are provided solely for the legitimate business purposes of Company and Franchisee. Access to Company's Computer Systems is monitored and recorded. Company will maintain a database that catalogs the duration and scope of the access granted to Franchisee and the business purpose for such grant. Franchisee may only access those Computer Systems that Franchisee is approved by Company to access. Company may terminate Franchisee's access to the Computer Systems for any misuse of such Computer Systems by Franchisee or by individuals provided access by or through Franchisee. Franchisee is liable for all damages caused by any individual obtaining access to the Computer Systems through the Franchisee.

3. **INFORMATION CONTAINED IN THE COMPUTER SYSTEMS**

a. Franchisee shall keep confidential all passwords, user IDs, all data and software programs and any other accessible materials contained in the Computer Systems. These obligations will continue in perpetuity but will not apply to information that is, or subsequently becomes, available to the public through no breach of Franchisee's obligations hereunder.

b. Franchisee will read and comply with the terms and policies that are posted on the Computer Systems from time to time and as they may be amended from time to time. If Franchisee does not agree to the applicable terms and policies posted on the Computer Systems, Franchisee will immediately exit the Computer Systems and will not use the Computer Systems. Franchisee will not transmit any unlawful, threatening, libelous, defamatory, obscene, scandalous, inflammatory, pornographic, or profane material or any material that could constitute or encourage conduct that would be considered a criminal offense, give rise to civil liability, or otherwise violate any law.

4. **DISCLAIMERS.** Franchisee uses the Computer Systems at its own risk. In no event will Company, and its subsidiaries, affiliates, officers and directors, be liable for any loss, liability, damages, costs or expenses that may arise out of Franchisee's access to the Computer Systems. ACCESS TO THE COMPUTER SYSTEMS (AND ANY AND ALL HARDWARE, SOFTWARE AND OTHER COMPONENTS THEREOF) IS PROVIDED TO FRANCHISEE "AS IS" WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT.

5. **INDEMNIFICATION; DUTY TO REPORT USE AND VIOLATIONS.**

Franchisee will defend, indemnify and hold harmless the Indemnified Parties against and from any and all claims, actions, suits, proceedings, demands, damages, and liabilities of whatever nature, and all costs and expenses, including without limitation Indemnified Parties' reasonable attorneys' fees and expenses, relating to or in any way arising out of the access to the Computer Systems or out of the breach of these terms by Franchisee or by any individual or entity granted access through Franchisee. Franchisee will immediately notify Company of any material violation of these terms by anyone granted access through Franchisee. Upon Company's request, Franchisee shall promptly provide Company with a list of all individuals granted access to the Computer Systems through Franchisee. Company shall have the right to conduct an audit of Franchisee to confirm Franchisee's compliance with these terms.

6. **TERMINATION; MODIFICATION.** Company has the right to immediately terminate or access granted to any individual through Franchisee at any time with or without cause. Company may modify these terms at any time upon notice to Franchisee. If Franchisee does not wish to continue its access to the Computer Systems under such modified terms, Franchisee may terminate access by written notice delivered to Company prior to the effective date of the modification.

Franchisee Initials: _____

Classified - Confidential

EXHIBIT D
EQUIPMENT LEASE TERMS

1. LEASE AGREEMENT AND TERM. Company hereby leases to Franchisee all Freestyle fountain beverage dispensing equipment provided to Franchisee (the "Equipment"), subject to the terms set forth herein. Unless otherwise agreed in writing, the Equipment shall also include, where applicable, all permanent merchandising, menu boards, refrigeration units, ice makers and water filtration equipment installed by Company on Franchisee's premises, provided, however, that nothing herein requires Company to make such equipment available to Franchisee for lease. Each piece of Equipment is leased commencing on its installation date ("Commencement Date"). Franchisee may request the removal of any Equipment upon 30 days prior written notice to Company. Removal of Equipment will not affect the term of the Agreement. The lease will continue in effect with respect to each piece of Equipment until the Equipment has been removed from Franchisee's premises and will survive the expiration or termination of the Agreement. Additionally, if the lease is terminated with respect to any piece of Equipment for any reason prior to 100 months from the Commencement Date for that piece of Equipment, Franchisee will pay Company the actual costs of removal (including standard shipping and handling charges) and remanufacturing of the Equipment, as well as the unamortized portion of the costs of (i) installation and (ii) non-serialized parts (e.g., pumps, racks and regulators) and other ancillary equipment.

2. TITLE TO THE EQUIPMENT. Title to the Equipment is, and will at all times remain, vested in Company. Franchisee will have no right, title, or interest in or to the Equipment, except the right to quiet use of the Equipment in the ordinary course of its business as provided herein. Franchisee shall execute such title documents, financing statements, fixture filings, certificates and such other instruments and documents as Company shall reasonably request to ensure to Company's satisfaction the protection of Company's title to the Equipment and Company's interests and benefits hereunder. Franchisee shall not transfer, pledge, lease, sell, hypothecate, mortgage, assign or in any other way encumber or dispose of any of the Equipment. **THE PARTIES AGREE, AND FRANCHISEE WARRANTS, THAT THE EQUIPMENT IS, AND WILL AT ALL TIMES REMAIN, PERSONAL PROPERTY OF COMPANY NOTWITHSTANDING THAT THE EQUIPMENT OR ANY PART THEREOF MAY NOW BE, OR HEREAFTER BECOME, IN ANY MANNER AFFIXED OR ATTACHED TO, OR EMBEDDED IN, OR PERMANENTLY RESTING UPON, REAL PROPERTY OR IMPROVEMENTS ON REAL PROPERTY.** Franchisee shall not make any alterations (including placing decals on the Equipment), additions, or improvements to the Equipment without the prior written consent of Company. All parts added to the Equipment through alterations, repairs, additions or improvements will constitute accessions to, and will be considered an item of the Equipment and title to such will immediately vest in Company. Franchisee agrees that Company may transfer or assign all or any part of Company's right, title and interest in or to any Equipment (in whole or in part), the lease of the Equipment and any amounts due or to become due, to any third party ("Assignee") for any reason. Upon receipt of written notice from Company of such assignment, Franchisee shall perform all its obligations with respect to any such Equipment for the benefit of the applicable Assignee, and, if so directed, shall pay all amounts due or to become due hereunder directly to the applicable Assignee or to any other party designated by such Assignee.

3. USE OF EQUIPMENT. Franchisee acknowledges that any rent does not fully compensate Company for its expenses concerning its research and development efforts designed to improve the Equipment or provide the Equipment to Franchisee, and that Company provides the Equipment to Franchisee for the purpose of dispensing Company products. Therefore, Franchisee agrees that the Equipment will be used only for the purpose of dispensing fountain beverage products of Company that are not out of date.

4. INSPECTION AND NOTIFICATION. Company shall have the right during Franchisee's regular business hours to inspect the Equipment at Franchisee's premises or wherever the Equipment may be located and to review all records that relate to the Equipment. Franchisee shall promptly notify Company of all details arising out of any change in location of the Equipment, any alleged encumbrances thereon or any accident allegedly resulting from the use or operation thereof.

5. WARRANTY DISCLAIMER: FRANCHISEE ACKNOWLEDGES THAT COMPANY MAKES NO WARRANTIES PERTAINING TO THE EQUIPMENT OR ITS PERFORMANCE, WHETHER EXPRESS OR IMPLIED, INCLUDING (WITHOUT LIMITATION) ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTIES RELATING TO THE DESIGN, CONDITION, QUALITY, CAPACITY, MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR ITS PERFORMANCE. COMPANY SHALL NOT BE RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY DIRECT, INCIDENTAL OR CONSEQUENTIAL LOSSES, OR DAMAGES OF ANY NATURE WHATSOEVER, RESULTING FROM THE DELIVERY, INSTALLATION, MAINTENANCE, OPERATIONS, SERVICE OR USE OF ANY EQUIPMENT OR OTHERWISE.

6. TAXES. Franchisee shall pay all assessments, license fees, taxes (including sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes) and all other governmental charges, fees, fines or penalties whatsoever, whether payable by Company or Franchisee, on or relating to the Equipment or the use, registration, rental, shipment, transportation, delivery, or operation thereof, and relating to the lease of the Equipment.

7. MAINTENANCE AND REPAIRS. Franchisee shall keep the Equipment in good condition, repair, and working order. Except as otherwise provided herein, Franchisee shall pay all costs incurred in connection with the shipment, use, operation, ownership, or possession of the Equipment during the term of its lease. Franchisee's sole recourse against Company with respect to service provided by Company or its service providers to the Equipment is that Company will correct any defective workmanship at no additional charge to Franchisee, provided that Company is given prompt notification of any defective workmanship. Company shall not be otherwise liable for negligent acts or omissions committed in regard to maintenance or repair of the Equipment and assumes no responsibility for incidental, consequential or special damages occasioned by such negligent acts or omissions.

8. RISK OF LOSS. All risk of loss, including damage, theft or destruction, to each item of Equipment will be borne by Franchisee. No such loss, damage, theft or destruction of Equipment, in whole or in part, will impair the obligations of Franchisee hereunder, all of which will continue in full force and effect.

9. INDEMNITY. Franchisee will defend, indemnify and hold harmless the Indemnified Parties against and from any and all claims, actions, suits, proceedings, demands, damages, and liabilities of whatever nature, and all costs and expenses,

including without limitation Indemnified Parties' reasonable attorneys' fees and expenses, relating to or in any way arising out of (a) the ordering, delivery, rejection, installation, purchase, leasing, maintenance, possession, use, operation, control or disposition of the Equipment or any portion thereof; (b) any act or omission of Franchisee, including but not limited to any loss or damage to or sustained by the Indemnified Parties arising out of Franchisee's failure to comply with all these terms; (c) any claims for liability in tort with respect to the Equipment, excepting only to the degree such claims are the result of the Indemnified Parties' negligent or willful acts. The provisions of this section will survive termination and expiration of the Equipment's lease.

10. DEFAULT. The occurrence of any of the following will constitute a "Default" by Franchisee:

- a. nonpayment by Franchisee when due of any amount due and payable hereunder;
- b. failure of Franchisee to comply with any provision, and failure of Franchisee to remedy, cure, or remove such failure within 10 days after receipt of written notice thereof from Company;
- c. any statement, representation, or warranty of Franchisee to Company, at any time, that is untrue as of the date made;
- d. Franchisee's becoming insolvent or unable to pay its debts as they mature, or Franchisee making an assignment for the benefit of creditors, or any proceeding, whether voluntary or involuntary, being instituted by or against Franchisee alleging that Franchisee is insolvent or unable to pay its debts as they mature;
- e. appointment of a receiver, liquidator, trustee, custodian or other similar official for any of the Equipment or for any property in which Franchisee has an interest;
- f. seizure of any of the Equipment;
- g. default by Franchisee under the terms of any note, document, agreement or instrument evidencing an obligation of Franchisee to Company or to any affiliate of Company, whether now existing or hereafter arising;
- h. Franchisee taking any action with respect to the liquidation, dissolution, winding up or otherwise discontinuing the conduct of its business;
- i. Franchisee transferring all or substantially all of its assets to a third party; or
- j. the transfer, conveyance, assignment or pledge of a controlling interest or ownership of Franchisee to a third party without Company's prior written consent.

11. REMEDIES. Upon the occurrence of any Default or at any time thereafter, Company may terminate the lease as to any or all items of Equipment, may enter Franchisee's premises and retake possession of the Equipment at Franchisee's expense, and will have all other remedies at law or in equity for breach. Franchisee acknowledges that in the event of a breach of sections 3 or 4 or a failure or refusal of Franchisee to relinquish possession of the Equipment in breach of this section following termination or Default, Company's damages would be difficult or impossible to ascertain, and Franchisee therefore agrees that Company will have the right to an injunction in any court of competent jurisdiction restraining said breach and granting Company the right to immediate possession of the Equipment and agrees to pay the Program Fee until Company is able to obtain possession of the Equipment.

12. LIQUIDATED DAMAGES. If Franchisee acts in violation of the prohibitions described in section 2 of these terms and is unable to return the Equipment to Company in good working order, normal usage wear and tear excepted, at the expiration or termination of the Equipment's lease, Franchisee shall pay as liquidated damages the total of: (i) the value of Company's residual interest in the Equipment, plus (ii) all tax indemnities associated with the Equipment to which Company would have been entitled if Franchisee had fully performed its obligations, plus (iii) costs, interest, and attorneys' fees incurred by Company due to Franchisee's violation of section 2 or its failure to return the Equipment to Company, minus (iv) any proceeds or offset from the release or sale of the Equipment by Company.

13. ADDITIONAL TERMS. Franchisee represents and warrants that it will comply with all applicable laws and regulations, and all appropriate practices with respect to food safety, including the storing, preparation, serving and disposing of food. Furthermore, Franchisee acknowledges and agrees to comply with all equipment manufacturer's specifications and product dispensing and preparation instructions and specifications. Time is of the essence with respect to every provision.

Franchisee Initials: _____

EXHIBIT E
COCA-COLA EQUIPMENT SALE AGREEMENT

All sales of beverage dispensing equipment ("Equipment") by Coca-Cola FoodService ("Seller") shall be subject to and contingent upon the terms and conditions set forth herein, including the limited warranties, which shall be the sole and exclusive terms and conditions applicable to such sales. Seller shall not be bound by any terms and conditions proposed by Buyer that are additional to or different from the terms and conditions set forth herein unless Seller specifically agrees in writing to be bound thereby.

1. **DELIVERY OF EQUIPMENT.** Should Buyer require the delivery of Equipment, the Equipment will be tendered "where is" unless an alternative location is specified in a writing signed by both parties. All Equipment shipped to an alternative location shall be shipped FOB Seller's address and shall be tendered to the common carrier specified by Buyer. In the absence of instructions, shipment shall be made by any commercially reasonable mode of transportation and route. Shipping dates communicated to Buyer are approximate only. Seller does not and shall not guarantee any shipping date unless such guarantee and the terms thereof are specifically stated in writing. Any such guarantee shall be limited to the exact terms so stated. If this document indicates that Equipment is to be installed in more than one outlet, Buyer's signature shall be deemed to authorize the sale and installation of Equipment in all those outlets, subject to the terms of this Equipment Sales Agreement. Such signature also authorizes the sale and installation of Equipment in additional outlets as requested by Buyer, subject to the terms and conditions of this Equipment Sales Agreement. The actual selling price of Equipment installed in additional outlets may reflect changes in Seller's cost of the Equipment.

2. **NONCONFORMING GOODS.** When Buyer receives a shipment of Equipment, Buyer will promptly check the Equipment received against the manifest or bill of lading and promptly report any variances to Seller and to the carrier. Unless a variance is reported within twenty-four (24) hours after receipt, the manifest or bill of lading will be deemed correct and Buyer will be deemed to have accepted all Equipment identified thereon.

3. **RISK OF LOSS.** If Buyer is already in possession of the Equipment, the risk of loss or damage to the Equipment shall pass to Buyer immediately upon execution of this Agreement. If the Equipment is to be shipped to Buyer, the risk of loss or damage to the Equipment shall pass to Buyer at the time Seller delivers, or tenders delivery of, the Equipment to a common carrier.

4. **PAYMENT.** Unless otherwise agreed in writing, Buyer shall remit payment to Seller within thirty (30) days of receipt of a bill. If payment is not made within the thirty (30) day period, Buyer shall pay Seller one and one-half percent (1-1/2%) interest per month (which equals eighteen percent (18%) per year) on the unpaid balance.

5. **FORCE MAJEURE.** Seller shall not be responsible or liable for any delay or failure in its performance resulting from acts or omissions beyond its control which may not be overcome by due diligence, or from any acts or omissions of any nature by Buyer. Any such occurrence shall release Seller from performance of its obligations hereunder.

6. **TRADEMARKS.** Buyer recognizes that the intellectual property rights (i.e. patents, trademarks, copyrights and trade secret(s) of The Coca-Cola Company ("Company") are highly valuable assets and agrees never to infringe upon these intellectual property rights or to commit any other acts of unfair competition against Company or its trademarks in connection with the Equipment. Nothing in this Agreement shall be construed as giving Buyer any right, title or interest to any trademarks, patents or other intellectual property rights of Company beyond those specifically granted herein. Seller shall have the right to display Company's trademarks and/or logos on the Equipment, and to use advertising or promotional materials provided or approved by Company, provided the Equipment is used to dispense Company's products. Seller shall not otherwise use Company's trademarks except as authorized in writing by Company. Buyer agrees not to sell, substitute or pass off another product for a product of CCF or Company at any time, including specifically when utilizing the Equipment.

7. **ASSIGNMENT.** The rights and duties under this Agreement shall bind and inure to the benefit of the successors and assigns of the parties. Notwithstanding the foregoing, this Agreement may not be assigned by Buyer without Seller's prior written consent. Seller may assign this Agreement without notice to or consent by Buyer.

8. **SEVERABILITY.** If any provision of this Agreement is contrary to applicable law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof, if and to the extent that applicable law confers any rights or imposes any duties inconsistent with or in addition to any of the provisions of this Agreement, the affected provisions shall be considered amended to conform thereto.

9. **GOVERNING LAW.** This Agreement shall become effective upon acceptance by Seller. ALL SALES OF GOODS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA, INCLUDING SPECIFICALLY THE UNIFORM COMMERCIAL CODE, AS THE SAME FROM TIME TO TIME MAY BE AMENDED.

10. **FINANCING.** This Agreement is not a financing agreement. If Buyer desires to purchase the Equipment subject to financing, Buyer must execute a separate financing agreement. If financing is contemplated, Buyer must execute required financing documents prior to installation of Equipment, or within five (5) days of receipt of documents, whichever is later. If Buyer fails to comply with this requirement, Seller in its sole discretion may elect to (i) reclaim the Equipment; (ii) sell the Equipment to Buyer pursuant to Section 4 above; or (iii) lease the Equipment to Buyer subject to Seller's standard lease terms and conditions.

11. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties regarding the subject matter hereof and may be amended, modified or supplemented only by a written agreement executed by the Buyer and Seller.

12. **WARRANTIES AND REMEDIES.**

BUYER ACKNOWLEDGES THAT SELLER IS NOT A MANUFACTURER OF THE EQUIPMENT AND THAT SELLER HAS MADE NO REPRESENTATIONS OF ANY NATURE WHATSOEVER PERTAINING TO THE EQUIPMENT OR ITS PERFORMANCE, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTIES RELATING TO THE DESIGN, CONDITION, QUALITY, CAPACITY, MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR ITS PERFORMANCE, OR ANY WARRANTY OR AUTHORITY WITH RESPECT TO PATENT RIGHTS IF ANY, PERTAINING TO THE EQUIPMENT. SELLER SHALL NOT BE

RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY DIRECT, INCIDENTAL OR CONSEQUENTIAL LOSSES, OR DAMAGES OF ANY NATURE WHATSOEVER, RESULTING FROM THE DELIVERY, INSTALLATION, MAINTENANCE, OPERATIONS, SERVICE OR USE OF ANY EQUIPMENT OR OTHERWISE. Seller warrants that (i) it is the lawful owner of the Equipment, (ii) that it has not caused any lawful liens or encumbrances to be placed upon the Equipment, and (iii) that Seller has the right to sell the Equipment.

A. Used Equipment

USED EQUIPMENT IS SOLD "AS IS" AND "WHERE IS."

B. New and Remanufactured Equipment

NEW AND REMANUFACTURED EQUIPMENT IS SOLD "AS IS." For new Equipment, Seller will pass through any manufacturers' limited warranties, but such limited warranties are not otherwise transferable or assignable without the written approval of the manufacturer.

C. Limited Warranty and Remedies for Installations of Equipment

If Seller installs the Equipment, then in addition to any remedies provided under the manufacturer's warranties that may be available to Buyer, Seller will repair or replace any Equipment that malfunctions due to a defect in manufacturing or installation that occurs within thirty (30) days from the date of installation of the Equipment by Seller in accordance with Seller's standard service policy, provided the Equipment is being used to dispense products of CCF. Any use, abuse, alteration or neglect of the Equipment in violation of the operating instructions or the provisions of this Agreement shall render this limited warranty null and void. This limited warranty shall not apply to any accidental damage to the Equipment. IN NO EVENT SHALL SELLER, ITS SUBSIDIARIES OR AFFILIATES BE LIABLE FOR ANY DAMAGES RESULTING FROM THE BREACH OF SUCH LIMITED WARRANTY. SELLER SHALL NOT BE RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY DIRECT, INCIDENTAL OR CONSEQUENTIAL LOSSES, OR DAMAGES OF ANY NATURE WHATSOEVER, REGARDLESS OF CAUSE. After inspection by Seller or its authorized repair agent, Seller at its option will (i) repair a component that is found to be defective, or (ii) replace the component with a new or rebuilt component. Claims must be handled promptly by Buyer. CLAIMS SHALL BE DEEMED WAIVED UNLESS WRITTEN NOTICE OF SUCH CLAIM IS GIVEN TO SELLER WITHIN SIXTY (60) DAYS AFTER THE DATE ON WHICH THE CLAIMED DEFECT IS DISCOVERED. IN NO EVENT WILL ANY CLAIM OF ANY KIND BE GREATER IN AMOUNT THAN THE PURCHASE PRICE OF THE GOODS IN RESPECT TO WHICH SUCH DAMAGES ARE CLAIMED.

13. **SELLER'S RIGHT TO REPURCHASE EQUIPMENT.** Seller maintains strict controls on the usage of equipment components and elements that are proprietary to Seller. If Buyer desires to sell, assign, or transfer any Equipment that contains any component or element that is proprietary to Seller, other than to a subsidiary or affiliate under common control with Buyer, or if Buyer, at any time, elects to discontinue serving post-mix, juice or tea products of Seller, or elects to serve the post-mix, juice or tea products of PepsiCo, Inc., in or through said Equipment, or if Buyer elects to serve any other Competitive Beverage through the Equipment that is not permitted under the terms of Buyer's Beverage Marketing Agreement, Seller shall have the option to repurchase from Buyer any or all of such Equipment as the Seller, in its sole discretion, shall so elect on the terms set forth in this Section. Buyer shall promptly notify Seller in writing of any of the following: (i) its intent to sell, assign or transfer any of the Equipment; (ii) its election to discontinue serving post-mix, juice or tea products of the Seller; (iii) its election to serve post-mix, juice or tea products of PepsiCo, Inc., or (iv) its election to serve a Competitive Beverage not permitted under the terms of Buyer's Beverage Marketing Agreement. Seller shall respond to such notification by Buyer in writing, no later than sixty (60) days after its receipt of such notification, informing Buyer of Seller's intent to repurchase the Equipment and identifying that portion of the Equipment that Seller wishes to repurchase from Buyer. Should Seller elect to exercise this option to repurchase, the parties agree that the purchase price for each item of the Equipment shall be the Book Value of the item of Equipment. For purposes of this Agreement, "Book Value" shall mean the original purchase price of the item of Equipment, depreciated using the straight line method over one hundred (100) months with no residual value. Buyer shall remove all liens and encumbrances of any kind whatsoever, at Buyer's sole cost, in order to allow Seller to purchase the Equipment free and clear of all liens and encumbrances. Without limiting the generality of this provision, the Bevariety™ fountain dispensing platform, Minute Maid® Juicer and Variety Tea Tower all contain proprietary components or elements and are subject to this provision.

14. **TAXES.** Buyer shall pay all sales and use taxes due upon the sale of the Equipment, and shall be responsible for all personal property taxes, if not already paid, due for the calendar year in which the sale takes place and all subsequent years.

Franchisee Initials: _____

RIDER F to FRANCHISE AGREEMENT
WHEN TO MANAGE SELECTIONS AND PERMISSIONS

Selections*:

Required (select one)

- ☐ Lite POS Intelligence - \$39.20 per month / per restaurant
- ☐ Advanced POS intelligence - \$71.20 per month / per restaurant
- ☐ My group currently uses Aloha Enterprise or Insight and we'll be sending out information for integration into WTM - N/C

Optional (select any quantity)

- ☐ Workforce Management - \$39.20
- ☐ Basic Inventory Management - \$79.20 per month / per restaurant
- ☐ Additional Enterprise Level Users - \$25.00 per month for each additional user
 - o if selected, please indicate how many additional users _____

*If you are already a current WTM user and have a current WTM contract and agreement, please indicate here which programs you are utilizing. If you wish to add programs to your current line-up, please check the appropriate boxes in the above selection list.

Current Programs already in place/use:

- ☐ Lite POS Intelligence
- ☐ Advanced POS Intelligence
- ☐ Workforce Management
- ☐ Basic Inventory Management
- ☐ Advanced Inventory Management

I, _____ as the current owner of _____,
an operating company that owns HuHot Mongolian Grill restaurants, acknowledge and
grant permissions toward the following events, guidelines and stipulations:

1. When to Manage (WTM) shall have the ability to poll my restaurants' POS data daily for sharing of high level data with HuHot corporate and all HuHot franchise owners in the system. For those restaurants utilizing Aloha Insight

(Enterprise) polling will be replaced with a daily report that is sent to HuHot for integration into the daily report.

2. As an Enterprise Level user, HuHot LLC will have visibility to various reports and key performance indicators within my WTM dashboard. This information is only available for HuHot LLC to provide trend analysis, troubleshooting, promotional performance tracking and other internal company business and no other franchise owner will have access to this information.
3. Any shared data that is sourced from my restaurants' POS system and/or WTM dashboard is for internal use only within HuHot LLC. This information will not be shared, reproduced, copied or in any way communicated to parties outside of the HuHot restaurant chain.

_____(Printed Name)

_____(Signature)

_____(Date)

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT
HUHOT MONGOLIAN GRILL

DISCLOSURE ACKNOWLEDGEMENT STATEMENT

HuHot Mongolian Grills, LLC ("we" or "us"), through the use of this Disclosure Acknowledgment Statement, wishes to ascertain that _____ ("you") fully understand that your execution of a Franchise Agreement for a franchise to own and operate a HuHot Restaurant is a business decision, complete with associated risks, and that it is our policy to verify that you are not relying upon any oral, written or visual statements, representations, promises or assurances relating to a HuHot Restaurant which we have not authorized.

You make the following representations to us, and we rely on them in granting you a franchise. If any statement is not correct, or if you are aware of exceptions to them, note them after No. 8 below.

1. You recognize and understand that business risks, which exist in connection with the ownership, development and operation of any business, make the success or failure of the franchise subject to many variables, including your skills and abilities; competition; interest rates; the economy; inflation; Restaurant location; operation, labor and supply costs; lease terms and costs, and the marketplace. You acknowledge that you have conducted an independent investigation of the business venture contemplated by the Franchise Agreement and recognize that the success of the venture involves substantial business risk and will be dependent primarily on your ability as an independent businessman. You hereby acknowledge your willingness to undertake these business risks.

2. You acknowledge that you received the HuHot Franchise Disclosure Document ("FDD") at least 14 calendar days prior to the date you executed the Franchise Agreement, and you received the final form of Franchise Agreement at least 7 calendar days prior to the date you executed said Agreement. You acknowledge that you have received, had the opportunity personally to read, review and understand the FDD and Franchise Agreement and its attachments. You acknowledge that we have permitted you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with operating a HuHot Restaurant and entering into a HuHot Restaurant Franchise Agreement and have encouraged you to do so. You also acknowledge that you have received and read and understand the Franchise Disclosure Document we prepared, and that we have not made any oral, written or visual claims, representations, promises, agreements, contracts, commitments, understandings or statements which contradict or are inconsistent with, or are not contained in such Franchise Disclosure Document.

3. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral, written or visual representations, assurances, warranties,

guarantees or promises made by us or any of our directors, officers, employees or agents (including any franchise broker) as to the likelihood of success of the Franchise.

4. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any information, representations, assurances, warranties, guarantees or promises made by us or any of our directors, officers, employees or agents (including any franchise broker) concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that you might expect to achieve from operating a HuHot Restaurant, other than any such statements made in our Franchise Disclosure Document.

5. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any promises, agreements, contracts, commitments, representations, understandings, "side deals" or any other assurances, expressed or implied, orally or otherwise, made to or with you with respect to any matter concerning advertising, marketing, television, radio or other media support, site location, marketing penetration, training, operating and support assistance or other services, other than any such statements made in our Franchise Disclosure Document.

6. You acknowledge that you have independently evaluated and investigated the Restaurant site and the lease or purchase agreement for the Restaurant site. You acknowledge that you bear responsibility for selecting the Restaurant site and negotiating the terms and conditions of your lease, sublease or purchase agreement for the Restaurant site.

7. You acknowledge that, although we or our designated architect will provide you with the basic drawings and specifications for the Restaurant, will specify certain furniture, fixtures and equipment for the Restaurant, and will maintain certain rights of review and/or approval under our Franchise Agreement with you, we have not made, and you have not received or relied upon any warranty from us concerning the Restaurant or the drawings, specifications, furniture, fixtures and equipment. You acknowledge that, except as may otherwise be provided in the Franchise Agreement, it is your sole responsibility to insure that the Restaurant's construction or conversion remodeling complies with any and all laws, codes or regulations. You acknowledge that you are solely responsible for and we will have no liability or obligation in connection with the plans or the construction or conversion remodeling of the Restaurant except as stated in the Franchise Agreement.

8. You acknowledge that the initial investment costs in Item 7 of the Franchise Disclosure Document are based on our current design concept, which is always subject to change, and that if we change the design concept after you sign your franchise agreement, your investment costs may be affected. You also acknowledge that such investment costs are based on limited information currently available to us and that your investment costs may vary depending on many factors, including, but not limited to, geographic area, labor costs, competitive circumstances, landlord's requirements, size and condition of premises, and local building code requirements.

9. You acknowledge that you were advised, prior to receiving the Franchise Disclosure Document, of the various ways you could be furnished the Franchise Disclosure Document.

10. You acknowledge that you have received the receipt page with the names completely filled in of all the franchise sellers that were involved in your purchase of the franchise.

THE FOLLOWING CORRECTIONS AND/OR EXCEPTIONS TO THE ABOVE STATEMENTS ARE AS FOLLOWS (IF NO CORRECTION OR EXCEPTIONS, WRITE "NONE" AND INITIAL):

Description or Write "None"

Initial

(Attach additional sheets if necessary)

Dated this ____ day of _____, 200__.

HuHot Mongolian Grills, L.L.C.
a Montana limited liability company

FRANCHISEE

By: _____
Andrew Vap

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This Agreement is made as of _____, 200__. The parties to this Agreement are _____ ("Company") and _____, an individual ("Manager").

RECITALS:

A. The Company is in the business of owning and operating a restaurant for on-premises consumption of fresh fish, meats, poultry, seafood and vegetables cooked on a grill, and related products and services under the name "HuHot Mongolian Grill" pursuant to a Franchise Agreement with HuHot Mongolian Grills, L.L.C. ("HuHot"), a Montana limited liability company. In connection with the Company's business, the Company will be using various techniques, systems, procedures, standards, manuals, data, specifications, and other materials, all of which are the proprietary and confidential information ("Proprietary Information") of HuHot.

B. The Company will also develop or acquire the right to the use of important information relating to the identity of its customers, the nature and amount of their purchases, pricing practices, recipes, ingredients, the identity of suppliers, sales volumes, costs, expenses and other information. All of the above methods, materials and information are referred to as "Confidential Information."

C. During the course of Manager's affiliation with the Company, Manager will have access to and learn from the Company much or all of the Proprietary Information and the Confidential Information.

D. Company has agreed with HuHot to protect the confidentiality of the Proprietary Information and the Confidential Information, and to prevent its disclosure to persons who are not employed by or otherwise associated with HuHot or HuHot's franchisees.

E. In light of the above facts and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Importance of Proprietary Information and Confidential Information.** Manager acknowledges that: (a) Manager has learned and/or will learn Proprietary Information and Confidential Information during Manager's affiliation with the Company; (b) this Proprietary Information and Confidential Information is an important asset of HuHot and the Company; and (c) it is important to keep the Proprietary Information and Confidential Information confidential in order for HuHot and the Company to protect their business and to maintain their competitive advantage.

2. **Agreement to Maintain Confidentiality.** Managers agree that both during and

after the termination of Manager's affiliation with the Company, Manager will: (a) guard and protect the Proprietary Information and Confidential Information so it does not fall into the hands of the Company's or HuHot's competitors or potential competitors; (b) refrain from using the Proprietary Information or Confidential Information for Manager's own benefit or that of any other person or entity; (c) refrain from disclosing the Proprietary Information and Confidential Information to any other person or entity, unless authorized by the Company. Manager agrees that "use" and "disclosure" of the Proprietary Information and Confidential Information include use and disclosure through memorization, and not only through use or disclosure of written material.

3. **Exceptions.** The Company agrees that the Proprietary Information and Confidential Information does not include information which Manager can demonstrate came to Manager's attention before Manager learned from the Company or which has become, through disclosure by others, "public domain" information (i.e., information freely available to everyone).

4. **Return of Materials.** If Manager's relationship with the Company ends for any reason, Manager agrees to immediately return to the Company any of the Proprietary Information and Confidential Information in Manager's possession or under Manager's control.

5. **Non-Competition.** Manager agrees that in order to guard against the improper use of the Proprietary Information and Confidential Information and to avoid unfair competition with the Company, Manager will not:

a. during the term of this Agreement and for a period of eighteen (18) months following termination of Manager's affiliation with the Company, for whatever reason, within a radius of ten (10) miles of the location of any HuHot Restaurant, directly or indirectly, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, control, or operation of any restaurant offering Asian or Asian-style food, including, but not limited to, food prepared on a "Mongolian Grill" or a "Mongolian Barbeque." .

b. during the term of this Agreement, and for a period of eighteen (18) months following termination of Manager's affiliation with the Company, for whatever reason, either directly or indirectly, for Manager's own account, or as an employee, consultant, partner, joint venturer, owner, officer, director or stockholder of any person, firm, partnership, corporation, limited liability company or any other entity, or in any other capacity, in any way, assist in soliciting, diverting, taking away or interfering with any of the Company's business, customers, trade or patronage.

Manager agrees the restrictive covenants set forth above should not be construed to prevent Manager from being gainfully employed either in a non-competing business anywhere, or in a competing business that is outside the geographical limitation set forth in paragraph 5.a, or after the restricted time period set forth in paragraphs 5.a and 5.b.

6. **Discoveries, Inventions and Improvements.** Manager agrees that because of Manager's affiliation with the Company, Manager may from time to time develop discoveries, inventions, improvements and ideas (collectively called "New Ideas") relating to the Company's business. Manager agrees to disclose Manager's New Ideas to the Company and agrees that any of those New Ideas which are applicable to the Company's business will belong solely to the Company or HuHot.

7. **Remedies.** Manager agrees that in order to protect the Company's interests if there is a breach or threatened breach of this Agreement, the Company will be entitled to obtain, in addition to any other remedy, a temporary or permanent injunction and consent order for specific performance of this Agreement, without being required to furnish a bond or other security. If an injunction is issued, but is later vacated, Manager agrees to waive any claim for damages as a result of the issuance of the injunction. Manager agrees that if Manager has any claims or causes of action against the Company arising out of Manager's affiliation with the Company, such claims or causes of action will not constitute defenses to the Company's enforcement of this Agreement. Manager further agrees to indemnify and hold the Company harmless from any loss or expense (including attorneys' fees) the Company incurs as a result of Manager's breach of this Agreement.

8. **Attorneys' Fees.** Manager agrees that if Company or HuHot prevail in any action to enforce this Agreement, Manager will pay Company's and/or HuHot's reasonable attorneys' fees in such action.

9. **Enforceability.** The Company and Manager both agree that if any provision of this Agreement is deemed too restrictive in scope, it will be deemed modified to be enforceable to the greatest extent permitted by law.

10. **Third Party Beneficiary.** The Parties acknowledge and agree that the Company's franchisor, HuHot, is an intended third party beneficiary of this Agreement, and accordingly, that said HuHot, as well as the Company, shall have the right to enforce the provisions of this Agreement against Manager. The parties agree that this Agreement, including this provision that makes Franchisor an intended third party beneficiary, shall not create an employee or joint employee relationship between Franchisor and Manager, and that the employment relationship is strictly between the Company and Manager.

11. **Waiver.** If at any time with respect to any particular incident or breach, the Company does not exercise its rights under this or any similar Agreement, it will not preclude the Company from doing so in any same or similar situation that subsequently occurs.

COMPANY:

MANAGER:

By: _____

By: _____

Title: _____

EXHIBIT D

FINANCIAL STATEMENTS

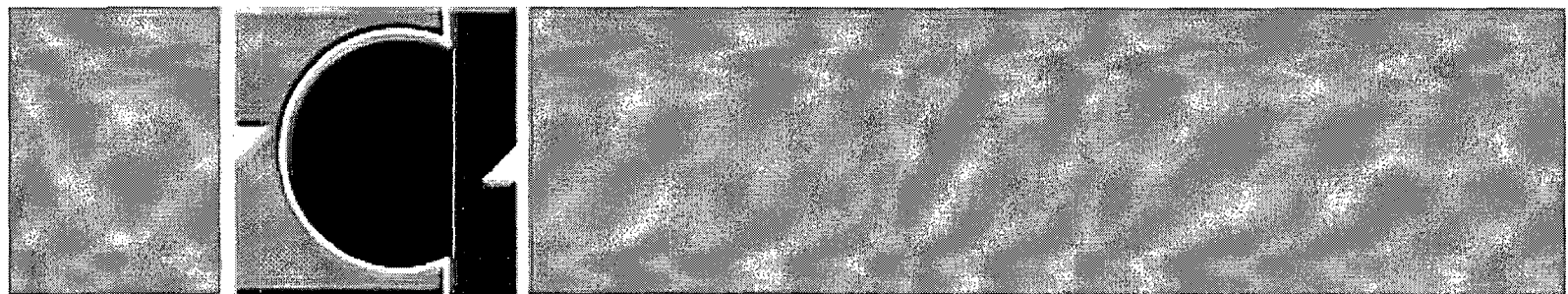
Attached as Exhibit D are the audited Financial Statements of HuHot as of December 25, 2016, December 27, 2015, December 28, 2014, and December 29, 2013. 28, 2014. The Franchisor's fiscal year end is the Sunday nearest December 31.



HUHOT
MONGOLIAN GRILL®

FINANCIAL REPORT

December 25, 2016 and December 27, 2015



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HuHot Mongolian Grills, LLC
Missoula, Montana

We have audited the accompanying financial statements of HuHot Mongolian Grills, LLC (a Delaware corporation), which comprise the balance sheets as of December 25, 2016 and December 27, 2015, and the related statements of income and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HuHot Mongolian Grills, LLC as of December 25, 2016 and December 27, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen Co., P.C.

Missoula, Montana
April 3, 2017

FINANCIAL STATEMENTS

HUHOT MONGOLIAN GRILLS, LLC

BALANCE SHEETS

December 25, 2016 and December 27, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,524,117	\$ 1,043,525
Accounts receivable		
Trade, net of allowance for doubtful accounts of		
\$4,000 and \$-0- in 2016 and 2015, respectively	435,470	284,708
Trade, related party	54,941	50,957
Due from related parties	31,859	44,429
Prepaid expenses	<u>31,091</u>	<u>59,079</u>
Total current assets	<u>2,077,478</u>	<u>1,482,698</u>
PROPERTY AND EQUIPMENT, NET	<u>66,995</u>	<u>76,523</u>
Total assets	<u>\$ 2,144,473</u>	<u>\$ 1,559,221</u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 84,425	\$ 82,573
Accrued expenses	730,960	585,311
Deferred revenue	35,000	10,000
Due to related parties	18,984	19,003
Current portion of notes payable	<u>9,864</u>	<u>9,864</u>
Total current liabilities	<u>879,233</u>	<u>706,751</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>9,863</u>	<u>19,727</u>
	<u>9,863</u>	<u>19,727</u>
MEMBERS' EQUITY	<u>1,255,377</u>	<u>832,743</u>
Total liabilities and members' equity	<u>\$ 2,144,473</u>	<u>\$ 1,559,221</u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
 STATEMENTS OF INCOME AND MEMBER'S EQUITY
 Years Ended December 25, 2016 and December 27, 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Initial franchise fees	\$ 40,000	\$ 17,500
Franchise royalty fees	<u>4,389,651</u>	<u>3,696,178</u>
Total revenues	4,429,651	3,713,678
 Selling, general and administrative	 <u>2,036,017</u>	 <u>1,998,606</u>
Income from operations	<u>2,393,634</u>	<u>1,715,072</u>
Net income	2,393,634	1,715,072
Member's equity, beginning	832,743	559,761
Less distributions	<u>(1,971,000)</u>	<u>(1,442,090)</u>
Member's equity, ending	<u>\$ 1,255,377</u>	<u>\$ 832,743</u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
STATEMENTS OF CASH FLOWS
 Years Ended December 25, 2016 and December 27, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,393,634	\$ 1,715,072
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	23,490	31,619
Loss on disposal of equipment	967	4,870
Changes in operating assets and liabilities:		
Accounts receivable, trade	(154,746)	28,832
Prepaid expenses	27,988	(30,100)
Due from (to) related parties	12,551	(19,920)
Accounts payable	1,852	47,729
Accrued expenses	145,649	444,185
Deferred revenue	25,000	10,000
Total adjustments	<u>82,751</u>	<u>517,215</u>
Net cash flows from operating activities	<u>2,476,385</u>	<u>2,232,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	500	-
Purchase of equipment	<u>(15,429)</u>	<u>(4,207)</u>
Net cash flows from investing activities	<u>(14,929)</u>	<u>(4,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(9,864)	(9,864)
Distributions	<u>(1,971,000)</u>	<u>(1,442,090)</u>
Net cash flows from financing activities	<u>(1,980,864)</u>	<u>(1,451,954)</u>
Net change in cash and cash equivalents	480,592	776,126
Cash and cash equivalents, beginning of year	<u>1,043,525</u>	<u>267,399</u>
Cash and cash equivalents, end of year	<u>\$ 1,524,117</u>	<u>\$ 1,043,525</u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS
December 25, 2016 and December 27, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

HuHot Mongolian Grills, LLC (the Company) is a Montana limited liability company formed on August 30, 2001, to be a franchisor of Mongolian grill restaurants offering Asian-style cuisine cooked on a grill, using fresh meats, poultry, seafood, vegetables, and home-made sauces individually selected by the customer. The Company franchises restaurants under the name "Huhot Mongolian Grill" throughout the United States. In March 2012, the Company became a wholly-owned subsidiary of Mongolian Grill Restaurants, LLC (MGR) when the members of HuHot exchanged all membership units for membership units in MGR. MGR is also the sole member of Mongolian Grill Restaurants Operating Company, LLC (MGROC), a franchisee of the Company. Members are generally not liable for the debts and obligations of the Company.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Fiscal Year

The Company's fiscal year ends on the Sunday nearest December 31. Annual accounting periods are therefore generally comprised of 52 or 53 weeks. The fiscal years ended December 25, 2016 and December 27, 2015 each consisted of 52 weeks.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At December 25, 2016 and December 27, 2015, the Company had balances of \$816,775 and \$454,771 that exceeded FDIC coverage, respectively.

Accounts Receivable

Accounts receivable consist of amounts due for initial franchise fees, franchise royalty fees including marketing fees, and area development fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts for which no payments have been received for 90 consecutive days are considered delinquent and customary collection efforts are initiated. Management provides for probable uncollectible amounts through a provision for bad debts based on its assessment of the current status of individual account balances that are still outstanding. After management has used exhaustive collection efforts, accounts receivable are written off through a charge to the allowance for doubtful accounts. Collections on accounts previously written off are included in income as received.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 25, 2016 and December 27, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment consists of furniture, equipment, leasehold improvements and automobiles, which are stated at cost. All betterments over \$2,500 are capitalized with all repairs and maintenance costs being expensed. Depreciation is being provided over the estimated useful lives of the related assets using the straight-line method over fifteen years for leasehold improvements, five to ten years for furniture and equipment, and five years for automobiles.

Deferred Revenue

Deferred revenue consists of payments received for initial franchise fees for which services have not yet been rendered.

Revenues

The Company grants franchises to operators who in turn pay initial franchise fees, continuing franchise royalty fees, and marketing fees.

The initial franchise fee is based on a set fee in the franchise agreement and is recorded as income when services required by the franchise agreement have been fulfilled. Typical required services are assisting in the opening of the franchised restaurant and training of initial franchisee employees. Initial franchise fees also include area development fees whereby rights are sold to develop, within a specific time period, a minimum number of franchised restaurants within a specified territory.

The continuing franchise royalty fees and marketing fees are based on a percent of gross revenues of the franchisee specified in the franchise agreement and are recognized based upon the revenues earned by the franchisees.

Advertising

The Company expenses advertising production and communication costs as they are incurred. Advertising expense was \$50,511 and \$9,816 for the years ended December 25, 2016 and December 27, 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Company is a sole member limited liability company, which for tax purposes is a disregarded entity. The Company includes its taxable results with the results of its parent MGR, which is taxed as a partnership. Previous to March 20, 2012, the Company was taxed as a partnership on its own. Accordingly, any taxes owed on the net income of the Company are the responsibility of the members of MGR and HuHot Mongolian Grills, LLC before March 20, 2012. Therefore, no provision or liability for Federal or State income taxes related to the Company is included in these financial statements.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 25, 2016 and December 27, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Concentrations in franchise fee revenues and accounts receivable are as follows:

	Franchises Owned	Percent of Franchise Royalty Fees	Percent of Accounts Receivable
At December 25, 2016:			
One unrelated franchisee	21	47%	29%
MGROC	12	16%	7%
Total franchises sold	65		
At December 27, 2015:			
One unrelated franchisee	21	30%	23%
MGROC	10	16%	7%
Total franchises sold	63		

Subsequent Events

Management has evaluated for subsequent events through April 3, 2017, the date the financial statements were available for issuance.

NOTE 2. RELATED PARTIES

There are various related party entities with which the Company has transactions. These related parties consist of entities with common ownership and owners of the Company and its parent. Transactions include purchased services for franchised restaurants and rent for a company office (see Note 6), which is leased with related party co-lessees. The related parties reimburse the Company for the proportional payroll of the employees who perform work for those parties. The Company also reimburses a co-lessee for the Company's proportion of office expenses.

Certain related parties own and operate HuHot Restaurants, one of which does not operate under a franchise agreement, but nevertheless pays royalty fees to the Company. One related party does not pay royalty or marketing fees for one restaurant. In December 2012, MGROC purchased seven HuHot restaurants from an existing franchisee. One restaurant was subsequently sold to an unrelated party.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 25, 2016 and December 27, 2015

NOTE 2. RELATED PARTIES (CONTINUED)

Related party transactions included in the statements of income are as follows:

	2016		2015	
	MGR and MGROC	Other Related Parties	MGR and MGROC	Other Related Parties
Franchise royalty and marketing revenues	\$ 745,928	\$ 576,330	\$ 564,662	\$ 607,382
Operating expenses (receipts)	(591,696)	17,257	(555,190)	22,215
Rent	33,019	15,120	29,289	14,800

NOTE 3. FRANCHISE LOCATIONS

Franchise location information is summarized as follows:

	Total Franchised Locations	Number of Locations in Operations
Balance, December 28, 2014 ^(a)	60	55
Franchises:		
Sold ^(b)	3	3
Reopened	-	(1)
Balance, December 27, 2015 ^(c)	<u>63</u>	<u>57</u>
Franchises:		
Sold ^(d)	2	2
Ceased operations	-	(1)
Balance, December 25, 2016 ^(e)	<u>65</u>	<u>58</u>

(a) Includes eighteen related party locations.

(b) Includes two related party locations.

(c) Includes twenty related party locations.

(d) Includes two related party locations.

(e) Includes twenty-two related party locations.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 25, 2016 and December 27, 2015

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 60,896	\$ 47,847
Leasehold improvements	24,119	24,119
Automobiles	<u>152,320</u>	<u>152,320</u>
	237,335	224,286
Less accumulated depreciation	<u>(170,340)</u>	<u>(147,763)</u>
	<u>\$ 66,995</u>	<u>\$ 76,523</u>

NOTE 5. NOTES PAYABLE

The Company has the following note payable:

	<u>2016</u>	<u>2015</u>
Note payable with interest at 0%, monthly payments of \$822, matures in 2018; secured by vehicle	\$ 19,727	\$ 29,591
Less current portion	<u>(9,864)</u>	<u>(9,864)</u>
Noncurrent portion	<u>\$ 9,863</u>	<u>\$ 19,727</u>

Future principal payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 9,864
2018	<u>9,863</u>
	<u>\$ 19,727</u>

NOTE 6. COMMITMENTS

Building Leases

The Company rents office space from a related party under an operating lease agreement which automatically renews annually for a one-year period. In addition to monthly rent, the Company and its co-lessee are obligated to pay insurance, property taxes, maintenance and other related expenses.

The Company also rents office space from an unrelated party under an operating lease agreement through December 31, 2016, with a two year renewal option. In addition to monthly rent payments, the Company is obligated to pay its pro-rata share of taxes, assessments, landlord's insurance and expenses relating to the common areas in the building.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 25, 2016 and December 27, 2015

NOTE 6. COMMITMENTS (CONTINUED)

Total rent expense was \$80,662 and \$69,595 for the years ended December 25, 2016 and December 27, 2015, respectively. Amounts paid to related parties included in these totals were \$15,120 and \$44,089 for the years ended December 25, 2016 and December 27, 2015, respectively.

NOTE 7. GUARANTEE OF RELATED PARTY INDEBTEDNESS

The Company is contingently liable as guarantor along with the Company's parent (MGR) and certain officers of the Company with respect to indebtedness of MGROC. The guarantee relates to all debt presently due and that will in the future become owing to the lender. As of December 25, 2016, the latest maturity date of such instruments was December 31, 2018. At any time through that date, should MGROC have overdue debt payments, the Company may be obligated to perform under the guarantee by primarily making the required payments, including late fees and penalties. The carrying amount of guaranteed debt was \$3,520,304 and \$3,306,339 at December 25, 2016 and December 27, 2015, respectively. The Company assesses the payment/performance risk by analyzing the financial position of the related party. At December 25, 2016 and December 27, 2015, no liability was recorded for this guarantee, representing the amount of payment/performance risk which the Company deems probable.



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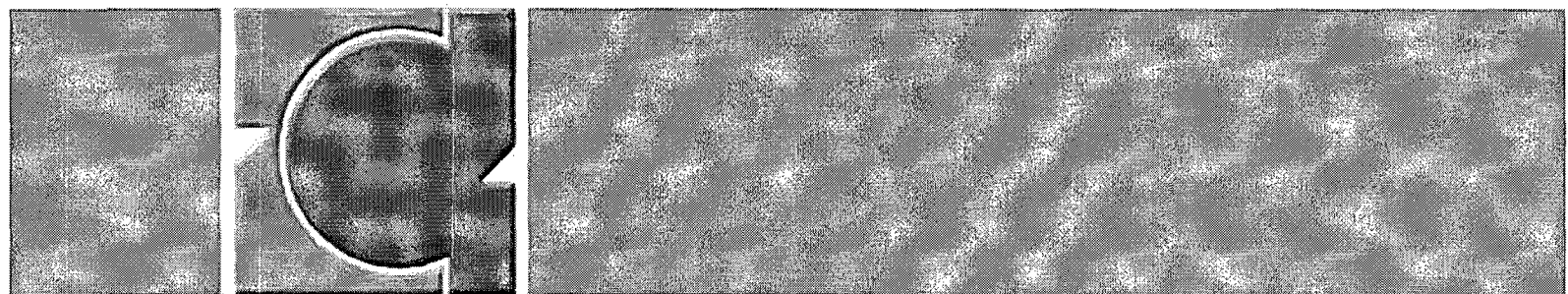
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HUHOT
MONGOLIAN GRILL®

FINANCIAL REPORT

December 27, 2015 and December 28, 2014



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HuHot Mongolian Grills, LLC
Missoula, Montana

We have audited the accompanying financial statements of HuHot Mongolian Grills, LLC (a Delaware corporation), which comprise the balance sheets as of December 27, 2015 and December 28, 2014, and the related statements of income and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HuHot Mongolian Grills, LLC as of December 27, 2015 and December 28, 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana

March 22, 2016

FINANCIAL STATEMENTS

HUHOT MONGOLIAN GRILLS, LLC

BALANCE SHEETS

December 27, 2015 and December 28, 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,043,525	\$ 267,399
Accounts receivable		
Trade, net of allowance for doubtful accounts of \$0 and \$104,535 in 2015 and 2014, respectively	286,457	320,544
Trade, related party	49,208	43,953
Due from related parties	44,429	28,830
Prepaid expenses	59,079	28,979
Total current assets	<u>1,482,698</u>	<u>689,705</u>
 PROPERTY AND EQUIPMENT, NET	 <u>76,523</u>	 <u>108,805</u>
 Total assets	 <u>\$ 1,559,221</u>	 <u>\$ 798,510</u>
 LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 82,573	\$ 34,844
Accrued expenses	585,311	141,126
Deferred revenue	10,000	-
Due to related parties	19,003	23,324
Current portion of notes payable	9,864	9,800
Total current liabilities	<u>706,751</u>	<u>209,094</u>
 LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>19,727</u>	<u>29,655</u>
	<u>19,727</u>	<u>29,655</u>
 MEMBERS' EQUITY	 <u>832,743</u>	 <u>559,761</u>
 Total liabilities and members' equity	 <u>\$ 1,559,221</u>	 <u>\$ 798,510</u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
 Years Ended December 27, 2015 and December 28, 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Initial franchise fees	\$ 17,500	\$ 78,500
Franchise royalty fees	<u>3,696,178</u>	<u>3,386,130</u>
Total revenues	3,713,678	3,464,630
Selling, general and administrative	<u>1,998,606</u>	<u>1,872,246</u>
Income from operations	<u>1,715,072</u>	<u>1,592,384</u>
Net income	1,715,072	1,592,384
Member's equity, beginning	559,761	805,372
Less distributions	<u>(1,442,090)</u>	<u>(1,837,995)</u>
Member's equity, ending	<u><u>\$ 832,743</u></u>	<u><u>\$ 559,761</u></u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
STATEMENTS OF CASH FLOWS
 Years Ended December 27, 2015 and December 28, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ <u>1,715,072</u>	\$ <u>1,592,384</u>
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	31,619	32,484
Loss on disposal of equipment	4,870	-
Changes in operating assets and liabilities:		
Accounts receivable	28,832	166,476
Prepaid expenses	(30,100)	(4,088)
Due from (to) related parties	(19,920)	284,995
Accounts payable	47,729	(37,791)
Accrued expenses	444,185	(23,800)
Deferred revenue	<u>10,000</u>	<u>(86,000)</u>
Total adjustments	<u>517,215</u>	<u>332,276</u>
Net cash flows from operating activities	<u>2,232,287</u>	<u>1,924,660</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,207)</u>	<u>(19,717)</u>
Net cash flows from investing activities	<u>(4,207)</u>	<u>(19,717)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(9,864)	(9,041)
Distributions	<u>(1,442,090)</u>	<u>(1,837,995)</u>
Net cash flows from financing activities	<u>(1,451,954)</u>	<u>(1,847,036)</u>
Net change in cash and cash equivalents	776,126	57,907
Cash and Cash Equivalents		
Beginning of year	<u>267,399</u>	<u>209,492</u>
End of year	<u><u>\$ 1,043,525</u></u>	<u><u>\$ 267,399</u></u>

The Notes to Financial Statements are an integral part of these statements.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS
December 27, 2015 and December 28, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

HuHot Mongolian Grills, LLC (the Company) is a Montana limited liability company formed on August 30, 2001, to be a franchisor of Mongolian grill restaurants offering Asian-style cuisine cooked on a grill, using fresh meats, poultry, seafood, vegetables, and home-made sauces individually selected by the customer. The Company franchises restaurants under the name "Huhot Mongolian Grill" throughout the United States. In March 2012, the Company became a wholly-owned subsidiary of Mongolian Grill Restaurants, LLC (MGR) when the members of HuHot exchanged all membership units for membership units in MGR. MGR is also the sole member of Mongolian Grill Restaurants Operating Company, LLC (MGROC), a franchisee of the Company. Members are generally not liable for the debts and obligations of the Company.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Fiscal Year

The Company's fiscal year ends on the Sunday nearest December 31. Annual accounting periods are therefore generally comprised of 52 weeks. The fiscal years ended December 27, 2015 and December 28, 2014 each consisted of 52 weeks.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At December 27, 2015, the Company had balances of \$454,771 that exceeded FDIC coverage. At December 28, 2014, the Company did not have any deposits in excess of FDIC coverage.

Accounts Receivable

Accounts receivable consist of amounts due for initial franchise fees, franchise royalty fees including marketing fees, and area development fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts for which no payments have been received for 90 consecutive days are considered delinquent and customary collection efforts are initiated. Management provides for probable uncollectible amounts through a provision for bad debts based on its assessment of the current status of individual account balances that are still outstanding. After management has used exhaustive collection efforts, accounts receivable are written off through a charge to the allowance for doubtful accounts. Collections on accounts previously written off are included in income as received.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 27, 2015 and December 28, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment consists of furniture, equipment, leasehold improvements and automobiles, which are stated at cost. All betterments over \$2,500 are capitalized with all repairs and maintenance costs being expensed. Depreciation is being provided over the estimated useful lives of the related assets using the straight-line method over fifteen years for leasehold improvements, five to ten years for furniture and equipment, and five years for automobiles.

Deferred Revenue

Deferred revenue consists of payments received for initial franchise fees for which services have not yet been rendered.

Revenues

The Company grants franchises to operators who in turn pay initial franchise fees, continuing franchise royalty fees, and marketing fees.

The initial franchise fee is based on a set fee in the franchise agreement and is recorded as income when services required by the franchise agreement have been fulfilled. Typical required services are assisting in the opening of the franchised restaurant and training of initial franchisee employees. Initial franchise fees also include area development fees whereby rights are sold to develop, within a specific time period, a minimum number of franchised restaurants within a specified territory.

The continuing franchise royalty fees and marketing fees are based on a percent of gross revenues of the franchisee specified in the franchise agreement and are recognized based upon the revenues earned by the franchisees.

Advertising

The Company expenses advertising production and communication costs as they are incurred. Advertising expense was \$9,816 and \$5,941 for the years ended December 27, 2015 and December 28, 2014, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 27, 2015 and December 28, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is a sole member limited liability company, which for tax purposes is a disregarded entity. The Company includes its taxable results with the results of its parent MGR, which is taxed as a partnership. Previous to March 20, 2012, the Company was taxed as a partnership on its own. Accordingly, any taxes owed on the net income of the Company are the responsibility of the members of MGR and HuHot Mongolian Grills, LLC before March 20, 2012. Therefore, no provision or liability for Federal or State income taxes related to the Company is included in these financial statements.

With few exceptions, the Company is no longer subject to examinations by federal and state tax authorities for years before 2012.

Concentrations

Concentrations in franchise fee revenues and accounts receivable are as follows:

	Franchises Owned	Percent of Franchise Royalty Fees	Percent of Accounts Receivable
At December 27, 2015:			
One unrelated franchisee	21	30%	23%
MGROC	10	16%	7%
Total franchises sold	63		
At December 28, 2014:			
One unrelated franchisee	20	31%	17%
MGROC	9	15%	4%
Total franchises sold	60		

Subsequent Events

Management has evaluated for subsequent events through March 22, 2016, the date the financial statements were available for issuance.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 27, 2015 and December 28, 2014

NOTE 2. RELATED PARTIES

There are various related party entities with which the Company has transactions. These related parties consist of entities with common ownership and owners of the Company and its parent. Transactions include purchased services for franchised restaurants and rent for a company office (see Note 6), which is leased with related party co-lessees. The related parties reimburse the Company for the proportional payroll of the employees who perform work for those parties. The Company also reimburses a co-lessee for the Company's proportion of office expenses.

Certain related parties own and operate HuHot Restaurants, one of which does not operate under a franchise agreement, but nevertheless pays royalty fees to the Company. One related party does not pay royalty or marketing fees for one restaurant. In December 2012, MGROC purchased seven HuHot restaurants from an existing franchisee. One restaurant was subsequently sold to an unrelated party.

Related party transactions included in the statements of income are as follows:

	2015		2014	
	MGR and MGROC	Other Related Parties	MGR and MGROC	Other Related Parties
Franchise royalty and marketing revenues	\$ 564,662	\$ 607,382	\$ 491,265	\$ 566,934
Operating expenses (receipts)	(555,190)	22,215	(671,459)	19,021
Rent	29,289	14,800	25,143	13,920

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 27, 2015 and December 28, 2014

NOTE 3. FRANCHISE LOCATIONS

Franchised locations information are summarized as follows:

	<u>Total Franchised Locations</u>	<u>Number of Locations in Operations</u>
Balance, December 29, 2013 ^(a)	57	51
Franchises:		
Sold ^(b)	3	3
Reopened	<u>-</u>	<u>1</u>
Balance, December 28, 2014 ^(c)	<u>60</u>	<u>55</u>
Franchises:		
Sold ^(d)	3	3
Ceased operations	<u>-</u>	<u>(1)</u>
Balance, December 27, 2015 ^(e)	<u>63</u>	<u>57</u>

(a) Includes sixteen related party locations.

(b) Includes two related party locations.

(c) Includes eighteen related party locations.

(d) Includes two related party locations.

(e) Includes twenty related party locations.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 47,847	\$ 66,524
Leasehold improvements	24,119	24,119
Automobiles	<u>152,320</u>	<u>152,320</u>
	224,286	242,963
Less accumulated depreciation	<u>(147,763)</u>	<u>(134,158)</u>
	<u>\$ 76,523</u>	<u>\$ 108,805</u>

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 27, 2015 and December 28, 2014

NOTE 5. NOTES PAYABLE

The Company has the following note payable:

	<u>2015</u>	<u>2014</u>
Note payable with interest at 0%, monthly payments of \$822, matures in 2018; secured by vehicle	\$ 29,591	\$ 39,455
Less current portion	<u>(9,864)</u>	<u>(9,800)</u>
Noncurrent portion	<u>\$ 19,727</u>	<u>\$ 29,655</u>

Future principal payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 9,864
2017	9,864
2018	<u>9,863</u>
	<u>\$ 29,591</u>

NOTE 6. COMMITMENTS

Building Leases

The Company rents office space from a related party under an operating lease agreement which automatically renews annually for a one-year period. In addition to monthly rent, the Company and its co-lessee are obligated to pay insurance, property taxes, maintenance and other related expenses.

The Company also rents office space from an unrelated party under an operating lease agreement through December 31, 2016, with a two year renewal option. In addition to monthly rent payments, the Company is obligated to pay its pro-rata share of taxes, assessments, landlord's insurance and expenses relating to the common areas in the building.

HUHOT MONGOLIAN GRILLS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 27, 2015 and December 28, 2014

NOTE 6. COMMITMENTS (CONTINUED)

Total rent expense was \$69,595 and \$57,949 for the years ended December 27, 2015 and December 28, 2014, respectively. Amounts paid to related parties included in these totals were \$44,089 and \$39,063 for the years ended December 27, 2015 and December 28, 2014, respectively.

The future minimum payments under the office lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 40,820

NOTE 7. GUARANTEE OF RELATED PARTY INDEBTEDNESS

The Company is contingently liable as guarantor along with the Company's parent (MGR) and certain officers of the Company with respect to indebtedness of MGROC. The guarantee relates to all debt presently due and that will in the future become owing to the lender. As of December 27, 2015, the latest maturity date of such instruments was December 31, 2018. At any time through that date, should MGROC have overdue debt payments, the Company may be obligated to perform under the guarantee by primarily making the required payments, including late fees and penalties. The carrying amount of guaranteed debt was \$3,306,339 at December 27, 2015. The Company assesses the payment/performance risk by analyzing the financial position of the related party. At December 27, 2015 and December 28, 2014, no liability was recorded for this guarantee, representing the amount of payment/performance risk which the Company deems probable.



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EXHIBIT E-1

LIST OF HUHOT RESTAURANTS AS OF DECEMBER 31, 20152016

Franchised (38):

Iowa (10)

Franchisee: FRC Group*
Brendan Crowley & Luke Wilson
HuHot Mongolian Grill
752 N ~~429th~~ 179th Street
Omaha, NE 68154
(402) 697-0057

Address of Restaurants:

703 S Duff Ave., Ste. 105
Ames, IA 50010
(515) 233-7191

4100 University Avenue
Suite 101-104
West Des Moines, IA 50265
(515) 457-9090

4229 South Lakeport
Sioux City, IA 51106
(712) 224-3400

917 25th Avenue
Coralville, IA 52241
(319) 358-9100

3120 Manawa Center Road ~~Rd.~~, Ste. 100
Council Bluffs, IA 51503
(712) 309-0100

~~College~~ Cedar Square Mall
6301 University Avenue
Cedar Falls, IA 50613
(319) 553-1100

Lindale Mall
4444 1st Ave, NE

Cedar Rapids, IA 52402
(319) 393-6000

2310 SE Delaware Avenue
Ankeny, IA 50021
(515) 963-7860

555 J.F. Kennedy Road
Kennedy Mall #685
Dubuque, IA 52002
(563) 513-3121

3006 East 53rd Street
Davenport, IA 52807
(563-) 359-0011

Kansas (3)

Franchisee: FRC Group*
Brendan Crowley & Luke Wilson
~~HuHot Mongolian Grill~~
752 N ~~429th~~ 179th Street
Omaha, NE 68154
(402) 697-0057

Address of Restaurants:

5900 SW Hunton Road ~~Street~~
Topeka, KS 66604
(785) 271-8190

Manhattan Town Center Mall
Manhattan, KS 66502
(785) 320-7320

2035 N. Rock Road
Wichita, KS ~~67226~~67206
(316) 558-3630

Minnesota (1)

Franchisee: Tricor Enterprises, LLC
Matt Cory
1888 Summit Dr NE
Rochester, MN 55906
(507) 993-5124

Address of Restaurant:

102 Apache Mall
Rochester, MN 55902
(507) 206-4422

Missouri (4)

Franchisee: Sirius Hospitality, LLC
Tom Smith
HuHot Mongolian Grill
401 East Locust Street, Suite 300
Columbia, MO 65201
(573) 449-5515

Address of Restaurants:

3802 Buttonwood Drive
Columbia, MO 65201
(573) 874-2000

12675 Olive Blvd.
St. Louis, MO 63141
(314) 392-9696

Franchisee: L&M Family Restaurants, Inc.
Mona Wagner
3728 W. Broadmoor Street
Springfield, MO 65807
(417) 368-0144

Address of Restaurant:

Battlefield Mall
2825 South Glenstone
Springfield, MO 65804
(417) 882-0300

Franchisee: Mongol Grills, LLC
Mona and Leron Wagner
3728 W. Broadmoor Street
Springfield, MO 65807
~~406-755-4357~~
(417) 368-0144

Address of Restaurant

1804 Range Line
Joplin, MO 64804
(417-) 624-4000

Montana (1)

Franchisee: W & W Ventures
Mona Wagner
3728 W. Broadmoor Street
Springfield, MO 65807
~~(406) 755-4357~~
(417) 368-0144

Address of Restaurant:

130 Hutton Ranch Road
Kalispell, MT 59901
(406) 755-0757

Nebraska (5)

Franchisee: FRC Group*
Brendan Crowley & Luke Wilson
HuHot Mongolian Grill
752 N ~~429th~~ 179th Street
Omaha, NE 68154
(402) 697-0057

2712 S. Columbia Road ~~Rd.~~, Ste. 400
Grand Forks, ND 58201
(701) 757-4171

Address of Restaurants:

710 North ~~44th~~ 120th Street
Omaha, NE ~~68154~~ 68164
(402) 498-8890

201 North 66th Street
Lincoln, NE 68505
(402) 464-1100

17660 Wright Street
Omaha, NE 68130
(402) 408-3300

990 South 72nd Street
Omaha, NE 68114
(402) 933-9550

2525 Pine Lake Road #200
Lincoln, NE 68512
402-405-0200

North Dakota (3)

Franchisee: ~~Mongrill, Inc.~~ Pentex
Bryon Itterman
Box 60, 14 Second Avenue SE
Aberdeen, SD 57402
(605) 229-2005 Ex 19

Address of Restaurants:

1801 45th Street SW
Fargo, ND 58103
(701) 478-4688

409 S. 3rd Street,
Bismarck, ND 58504
(701) 751-2800

Oklahoma (2)

Franchisee: Treadwell Grills of Tulsa, LLC
Mike Treadwell
3880 W. Battlefield
Springfield, MO 65807
(417) ~~848-6107~~ 883-3600 x120

Address of Restaurant:

6746 S. Memorial
Tulsa, OK 74133
(918) 459-5346

Franchisee: Zoom Sales, Inc.
Brandon Parker
~~2601 Stratton Drive, Edmond~~ PO Box 721081
OKC, OK 73137 3172
(405) 301-1269

Address of Restaurant:

2501 W. Memorial Road ~~Rd.~~ #126
~~Entrance A.~~
Oklahoma City, OK 73134
(405) 748-3777

South Carolina (2)

Franchisee: ~~Treadwell Grills of Tulsa, LLC~~
~~and Treadwell Grills of SC, LLC~~ Enterprises
Mike Treadwell
3880 W. Battlefield
Springfield, MO 65807
(417) ~~848-6107~~ 883-3600 x120

Address of Restaurants:

1260-A8 Bower Parkway
Columbia, SC 29212
(803) 407-3868

1025 Woodruff Rd, ~~Set J105,~~
Greenville, SC 29607
(864) 603-3161

12710 IH W. Ste. 100
San Antonio, TX 7824978230
(210-240-4178) 641-1288

South Dakota (3)

Franchisee: FRC Group*
Brendan Crowley & Luke Wilson
HuHot Mongolian Grill
752 N ~~129th~~ 127th Street
Omaha, NE 68154
(402) 697-0057

Address of Restaurants:

1745 Eglin Street – Suite 990
Rapid City, SD 57701
(605-) 791-5555

2101 West 41st Street
Sioux Falls, SD ~~57195~~ 57105
(605) 334-7400

5430 Arrowhead Parkway
Sioux Falls East, SD 57110
(605) 221-1200

Texas (1)

Franchisee: David Gilchrist
~~and Tom McWethy~~
~~5886 DeZavala, Suite 102~~
~~Box 537~~
Mogo Grills, LLC
12710 IH W. Ste. 100
San Antonio, TX ~~78249~~ 78230
(210-) 240-4178

Address of Restaurant:

~~5886 DeZavala, Suite 102~~
~~Box 537~~

Utah (1)

Franchisee: Kawali Enterprises Limited, LLC
~~Robert and Adam Hawkes~~
3042 N 1400 E
North Logan, UT ~~84341~~ 84321-1600
(435) ~~881~~-1277

Address of Restaurant

660 S. Main Street
Logan, UT 84321
435-213-3586

Wisconsin (2)

Franchisee: Tricor Enterprises, LLC
Matt Cory
~~5113 Highgrove Lane, NW~~
1888 Summit Dr. NE
Rochester, MN ~~55901~~ 55906
(507) 993-5124

Address of Restaurants

Valley View Mall
3800 State ~~Hwy~~ Road 16 Unit 148
LaCrosse, WI 54601
(608) ~~681~~ 781-2636

Franchisee: Pentex
Bryon Itterman

Box 60, 14 Second Avenue SE
Aberdeen, SD 57402
(605) 229-2005 Ex 19

3805 S. Oakwood Mall Drive
Eau Claire, WI 54701
(715) 834-2222

* This Franchisee became the owners through
transferan acquisition of the ownership of
CCW, LLC in 2016.

Franchise Agreements signed as of
12/31/16, but Restaurant not open in 2016 (

Wisconsin (1)

William Trevorrow
E10720 Delton Road
Baraboo, WI 53913

EXHIBIT E-2

Affiliate-Owned (1921):

Colorado (67)

Affiliate: Hot Grills, Inc.
223 East Main Street
1001 SW Higgins, Ste. 103
Missoula, MT 59802
(406) 251-3461/926-2104

Address of Restaurants:

249 South College Avenue
Fort Collins, CO 80525
(970) 416-0555

Affiliate: Top Tier Colorado, LLC
223 East Main Street
Missoula, MT 59802
(406) 251-4303

Address of Restaurants:

7790 N. Academy Blvd.
Colorado Springs, CO 80920
(719) 598-4044

5843 Constitution Avenue
Colorado Springs, CO 80915
(719) 574-6647

The Orchard Town Center
14697 Delaware Street
Westminster, CO 80023
(303) 450-4648

7450 W. 52nd Avenue
Arvada, CO 80002
303-423-6585

3698 S Natches Ct.
Sheridan, CO 80110
(303) 761-2951

8336 Northfield Blvd., # 1600
Denver, CO 80238
(303) 307-1448

Indiana (2)

Affiliate: Mongolian Grill Restaurant
Operating Company, LLC
3507 Ringsby Court Unit 112
Denver, CO 80216
(303) 297-1200
223 E. Main St.
Missoula, MT 59802
(406) 251-4303

Address of Restaurants:

The Pavillions
100 S. Creasy Lane
Lafayette, IN 47905
(765) 447-8903

2550 East 3rd Street,
Bloomington, IN 47401
(812) 339-7882

Montana (2)

Affiliate: Hot Grills, Inc.
223 East Main Street
Missoula, MT 59802
1001 SW Higgins, Ste. 103
Missoula, MT 59803
(406) 251-3461/926-2104

Address of Restaurant:

1806 King Avenue West

Billings, MT 59102
(406) 656-8822

Affiliate: Montana Pizza, Inc.
223 East Main Street
Missoula, MT 59802
HuHot Mongolian Grill
223 East Main Street
Missoula, MT 59802
(406) 829-8888/251-4303

Address of Restaurant:

223 East Main Street
3521 Brooks St.
Missoula, MT 59802
(406) 829-8888

Utah (2)

Affiliate: Hot House, LLC
Mary Halloran and Michael Ellinghouse
2810 Felton Lane
1001 SW Higgins, Ste. 103
Missoula, MT 59803
(406-544-0047) 926-2104

Address of Restaurant

10835 South State Street
Sandy, UT 84070
801-572-2209

Affiliate: Mongolian Grill Restaurant
Operating Company, LLC
3507 Ringsby Court Unit 112
Denver, CO 80216
(303) 297-1200
223 E. Main St.
Missoula, MT 59802
(406) 251-4303

Address of Restaurant

693 North 920 East
Spanish Fork, UT 84660

801-798-5528

Washington (1)

Affiliate: Hot Grills, Inc.
223 East Main Street
1001 SW Higgins, Ste. 103
Missoula, MT 59802/59803
(406) 251-3461/926-2104

Address of Restaurant:

11703 E. Sprague Ave., Ste. B1
Spokane Valley, WA 99206
(509) 891-8711

Wisconsin (67)

Affiliate: Mongolian Grill Restaurant
Operating Company, LLC
3507 Ringsby Court Unit 112
Denver, CO 80216
(303) 297-1200
223 E. Main St.
Missoula, MT 59802
(406) 251-4303

Address of Restaurants:

3456 West College Avenue
Appleton, WI 54914
(920) 257-2555

2621 South Oneida Street, Ste. 103
Ashwaubenon, WI 54304
(920) 405-8888

610 Junction Road, Ste. 101
Madison, WI 53717

(608) 827-7110

7214 Green Bay Road
Suite 100
Kenosha, WI 53142
(262) 697-8522

4530 Rib Mountain Road Dr.
Wausau, WI 54401
(715) 298-5517

2059 Witzel Ave
Oshkosh, WI 54904
(920) 237-5555

2431 Milton Ave.
Janesville, WI 53545
(608) 743-9501

EXHIBIT E-3

Terminated Franchise Agreements during ~~2015~~ and 2016 (1):

There were no terminated Franchise Agreements during ~~2015~~2016.

In 2016, the following franchisee transferred all its franchisee was acquired by FRC Group, which became the holding company of CCW, LLC. Two of the original members of CCW, LLC are actively involved in the operation and management of the restaurants to FRC Group.

CCW, LLC
Gayle Carstens
Omaha, NE
402-677-2124 (cell)

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

Preliminary Agreements signed as of 12/31/15,

but Restaurant not open in 2015 (2):

Missouri (1)

~~L&L Operations LLC~~

~~Will LaFoe and Adam Lovegreen~~

~~1220 Timber Creek Dr.~~

~~Cape Girardeau, MO 63701~~

Wisconsin (1)

~~William Trevorrow~~

~~E10720 Delton Road~~

~~Baraboo, WI 53913~~

Franchise Agreements signed as of 12/31/15;

but Restaurant not open in 2015 (0):

None.

Terminated Franchise Agreements – Never Opened (20152016):

None

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

Area Developers as of December 31, 2015 (0)

None

Area Developers Terminated as of December 31, 2015:

None

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

EXHIBIT F

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchise disclosure/registration laws and/or our agents for service of process.

<u>State</u>	<u>State Administrator</u>	<u>Agent for Service of Process</u>
California	Jan Lynn Owen Commissioner of Business Oversight California Department of Business Oversight 320 West 4th Street #750 Los Angeles, CA 90013-2344 (213) 576-7500 Toll Free #: 866/275-2677	Los Angeles: California Commissioner of Business Oversight 320 West Fourth Street Los Angeles, CA 90013-2344
Illinois	<u>Lisa Madigan</u> <u>Illinois Attorney General</u> <u>500 South Second Street</u> <u>Springfield, IL 62706</u> <u>(217) 782-4465</u>	<u>Illinois Attorney General</u> <u>500 South Second Street</u> <u>Springfield, IL 62706</u>
Minnesota	Commissioner of Commerce Minnesota Dept. of Commerce 85 7th Place East Suite 500 St. Paul, MN 55101 (612) 296-4026	Minnesota Commissioner of Commerce 85 7th Place East Suite 500 St. Paul, MN 55101
New York	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23 rd Floor New York, NY 10271-0332 (212) 416-8236 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231 (518) 473-2492

North Dakota Karen Tyler
Securities Commissioner
North Dakota Securities Department
600 E. Boulevard Avenue, 5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

North Dakota Securities
Commissioner
600 E. Boulevard Avenue, 5th Floor
Bismarck, ND 58505

South Dakota Michael J. Youngberg
Department of Labor and
Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-4823

Director of South Dakota Division of
Securities
124 S. Euclid, Suite 104
Pierre, SD 57501

Washington Bill Beatty
Securities Administrator
Dept. of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Director
Washington Department of Financial
Institutions
Securities Division
150 Israel Rd. SW
Tumwater WA 98501
(360) 902-8760

Wisconsin Patricia Struck
Administrator, Division of
Securities
Department of Financial Institutions
P.O. Box 1768
Madison, WI 53701-1768
(608) 266-8559

Wisconsin Commissioner of
Securities
345 W. Washington
Fourth Floor
Madison, WI 53703

Operations Manual

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Total number of pages in manual: 215

EXHIBIT H

POINT-OF-SALE COMPUTER SYSTEM AND OTHER COMPUTER HARDWARE AND SOFTWARE

Computer Hardware	Location/Use	Brand Name	Name, Business Address and Telephone Number	Used by Us and/or Our Franchisees Since:
Pentium PE 700, 96MB S-DRAM, 3.5", 50x CD-ROM, 10GB HD, 56k modem	Restaurant Back of House/POS File Server	Name Brand PC Configured by Aloha Rep	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999
Pentium Celeron III 800+ MHz, 64 MB S-DRAM, 3.5", 50x CD-ROM, 10 GB HD, 56k modem	Restaurant Front of House/POS Entry Terminal	Name Brand PC Configured by Aloha Rep	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999
Pentium Celeron III 800+ MHz, 64 MB S-DRAM, 3.5", 50x CD-ROM, 10 GB HD, 56k modem	Restaurant Front of House/POS Entry Terminal	Name Brand PC Configured by Aloha Rep	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999
Imac G3, 333 MHz 96 MB Ram, 24x CD-ROM, 10GB HD, 56k modem	Restaurant Office/Bookkeeping	Apple	Apple Computer Inc., 1 Infinite Loop, Cupertino, CA 95014 (408) 996-1010	1999
Imac G3, 333 MHz 96 MB Ram, 24x CD-ROM, 10GB HD, 56k modem	Home Office/Bookkeeping	Apple	Apple Computer Inc., 1 Infinite Loop, Cupertino, CA 95014 (408) 996-1010	1999
15" SVGA Monitor	Restaurant Back of House/Monitor for POS File Server	Name Brand PC Configured by Aloha Rep	Apple Computer Inc., 1 Infinite Loop, Cupertino, CA 95014 (408) 996-1010	1999
Flat Screen Touch Screen Monitor	Restaurant Front of House/POS Entry Terminal	Name Brand PC Configured by Aloha Rep	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999
Flat Screen Touch Screen Monitor	Restaurant Front of House/POS Entry Terminal	Name Brand PC Configured by Aloha Rep	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999
Epson Inkjet Printer □ PC compatible	Restaurant Office/POS Report Printer	Epson	Kilroy Airport Way, Long Beach, CA 90806 (800) 922-8911	1999
Samsung SRP-350 Thermal Printer	Restaurant Front of House/POS Entry Terminal	Samsung	Challenger Road, Ridgefield Park, NJ 07660 (201) 229-4000	1999
Samsung SRP-350 Thermal Printer	Restaurant Front of House/POS Entry Terminal	Samsung	Challenger Road, Ridgefield Park, NJ 07660 (201) 229-4000	1999
Samsung 270 Auto Kitchen Printer	Restaurant Bar/Remote Printer	Samsung	Challenger Road, Ridgefield Park, NJ 07660 (201) 229-4000	1999

Computer Hardware	Location/Use	Brand Name	Name, Business Address and Telephone Number	Used by Us and/or Our Franchisees Since:
Samsung 270 Auto Kitchen Printer	Restaurant Prep Room/Remote Printer	Samsung	Challenger Road, Ridgefield Park, NJ 07660 (201) 229-4000	1999
Samsung 270 Auto Kitchen Printer	Restaurant Wok Line/Remote Printer	Samsung	Challenger Road, Ridgefield Park, NJ 07660 (201) 229-4000	1999
Epson Stylus Color Printer □ Mac compatible	Restaurant Office/Report printing	Epson	Kilroy Airport Way, Long Beach, CA 90806 (800) 922-8911	1999
Epson Stylus Color Printer □ Mac compatible	Home Office/Report printing	Epson	Kilroy Airport Way, Long Beach, CA 90806 (800) 922-8911	1999
Iomega Jaz 1 GB Backup Drive, external, Mac compatible	Restaurant Office/Backups	Iomega	Iomega Corp., 1821 W. Iomega Way, Roy, UT 84067 (801) 778-3144	1999
Iomega Jaz 1 GB Backup Drive, external, Mac compatible	Home Office/Backups	Iomega	Iomega Corp., 1821 W. Iomega Way, Roy, UT 84067 (801) 778-3144	1999
Aloha POS software	Restaurant POS Software	Aloha	Aloha, 1320 Tennis Drive, Bedford, TX 76022 (817) 252-9499	1999 □ current version
When To Manage software	Restaurant POS integration software	WhenToManage Restaurant Solutions	2232 S. Main St., #405 Ann Arbor, MI 48103 (888) 316-8861	Current version
Microsoft Office software (Mac version)	Processing, spreadsheets and presentation	Microsoft	Microsoft, One Microsoft Way, Redmond, WA 98052-6399 (425) 882-8080	1999 □ current version
Microsoft Office software (Mac version)	Processing, spreadsheets and presentation	Microsoft	Microsoft, One Microsoft Way, Redmond, WA 98052-6399 (425) 882-8080	1999 □ current version
Quark Xpress software (Mac version)	Home Office/Desktop publishing and production	Quark	Quark Inc., 1800 Grant Street Denver, CO 80203 (303) 894-8888	1999 □ current version
File Maker pro software (Mac version)	Home Office/Database integration	Claris	FileMaker P.O. Box 58168 Santa Clara, CA 95052-8168 (408) 987-7000	current version
Quickbooks Pro software (Mac version)	Home Office/Accounting and record keeping	Intuit	Intuit, 2535 Garcia Avenue, Mountain View, CA 94043 (650) 944-6000	current version

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT

GENERAL RELEASE (sample)

(to be signed upon renewal or assignment of the franchise)

In consideration of the consent by HuHot Mongolians Grills, L.L.C. ("Franchisor") to the assignment by _____ ("Franchisee") of Franchisee's Franchise Agreement dated _____ to _____ ("Assignee"), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee does hereby forever release, discharge and hold Franchisor, its officers, agents, employees, shareholders, guarantors, successors, and assigns, on behalf of themselves, their heirs, executors, administrators, officers, agents, employees, shareholders, guarantors, successors and assigns, harmless from and against any and all claims, causes of action, demands, damages, costs, suits, obligations, negligence, misrepresentations, omissions, and fraud, whatsoever, in law or in equity, arising out of any relationship with one another whether contractual, or otherwise which they now have, for, upon, or by reason of any matter, cause or thing whatsoever, at any time prior to the date of this General Release, which release is not limited to claims relating to the franchise agreement being assigned by the Franchisee.

This general release extends to any and all claims, known or unknown, the existence of which Franchisee may not know or suspect as of the date of executing this document, it being Franchisee's understanding and intent that Franchisee is releasing Franchisor from any and all liability to Franchisee. Further, Franchisee has had an opportunity to seek advice from legal counsel and is executing this general release with full knowledge of its legal effect.

DATE: _____

FRANCHISEE: _____

WITNESS: _____

EXHIBIT J TO FRANCHISE DISCLOSURE DOCUMENT

State Addenda

The following pages in this Exhibit J are State Addenda, applicable to you only if that state's law applies to your franchise.

California, Illinois, Minnesota, New York, North Dakota, and Wisconsin

EXHIBIT J
HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The HuHot Mongolian Grills, L.L.C. Franchise Disclosure Document for use in the State of California is modified in accordance with the following:

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF CORPORATIONS NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
3. THE FRANCHISOR IS A CO-GUARANTOR FOR AN AFFILIATE'S \$3.3 MILLION DEBT.
4. THE FRANCHISE AGREEMENT ~~AND AREA DEVELOPMENT AGREEMENT~~ CONTAINS PROVISIONS WHICH MAY LIMIT FRANCHISEE'S RIGHTS INCLUDING BUT NOT LIMITED TO: A LIMITATION OF ACTIONS, WAIVER OF PUNITIVE DAMAGES, WAIVER OF JURY TRIAL AND CLASS ACTION WAIVER.
5. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document ("FDD").
6. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

Neither the Franchisor, nor any person or franchise broker in Item 2 of the UFOC 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.
7. Item 6 of the Franchise Disclosure Document on "Other Fees" is amended by the addition of the following:

The highest interest rate allowed in California is 10%

8. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
9. 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.).
10. 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.
11. The franchise agreement requires binding arbitration. The arbitration will occur at Missoula, Montana, with the costs being borne by the losing party.
12. Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
13. The franchise agreement requires application of the laws of Montana. This provision may not be enforceable under California law.
14. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
15. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
16. "The financial performance representations in Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information."
17. 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.corp.ca.gov.

HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

This addendum to the Franchise Agreement is agreed to this _____ day of _____, 20____, between HUHOT MONGOLIAN GRILLS, L.L.C. (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the Franchise Agreement on Renewal and Section 16 of the Franchise Agreement on Termination by Franchisor for Cause are amended by the addition of the following language to the original language that appears therein:

"California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control."

2. Section 17.d. of the Franchise Agreement on Covenant Not to Compete is amended by the addition of the following language to the original language that appears therein:

"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."

3. Section 16 of the Franchise Agreement on Termination by Franchisor for Cause is amended by the addition of the following language to the original language that appears therein:

"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.)."

4. Paragraph 19.e. of the Franchise Agreement on Governing Law of the Agreement is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires application of the laws of the State of Montana and that Franchisee bring litigation in the State of Montana. This provision may not be enforceable under California law."

5. Paragraph 19.f. of the Franchise Agreement on Waiver of Jury Trial is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement contains a waiver of jury trial clause. This provision may not be enforceable under California law."

6. Paragraph 19.l. of the Franchise Agreement on Mandatory and Binding Arbitration is amended by the addition of the following language to the original language that appears therein:

“The Franchise Agreement requires binding arbitration. The arbitration will occur in Montana with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.”

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
HUHOT MONGOLIAN GRILLS, L.L.C.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

[State of Illinois]

ADDENDUM TO HUHOT MONGOLIAN GRILLS, L.L.C.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The HuHot Mongolian Grills, L.L.C. Franchise Disclosure Document for use in the State of Illinois is modified in accordance with the following:

1. _____ Item 17.v. "Choice of Forum" and 17.w. "Choice of Law" are subject to 815 ILCS 705/4 and 705/41 of the Illinois Franchise Disclosure Act.

~~ADDENDUM TO THE AREA DEVELOPMENT~~HUHOT MONGOLIAN GRILLS, L.L.C.
FRANCHISE AGREEMENT
~~FOR THE STATE OF CALIFORNIA~~ILLINOIS

This ~~addendum~~Addendum to the ~~Area Development~~Franchise Agreement is agreed to this _____ day of _____, 20____, between ~~HUHOT MONGOLIAN GRILLS~~HuHot Mongolian Grills, L.L.C. (~~"Franchisor"~~) and _____ (~~"Developer"~~) and _____ (~~"Franchisee"~~) to amend ~~said~~and revise the Franchise Agreement as follows:

~~1. Section 8 of the Area Development Agreement on Termination by Franchisor for Cause are amended by the addition of the following language to the original language that appears therein:~~

~~"California Business and Professions Code Sections 20000 through 20043 provide rights to the Developer concerning termination or nonrenewal of a franchise. If the Area Development Agreement contains a provision that is inconsistent with the law, the law will control."~~

~~2. Section 9.C. of the Area Development Agreement on Covenant Not to Compete~~dated _____, 20____, in the following respects:

~~1. Paragraph 19.e. (Governing Law/Consent to Jurisdiction) is amended by the addition of the following language:~~

~~This provision is void with respect to any cause of action which otherwise is enforceable in Illinois pursuant to Section 4 of the Illinois Franchise Disclosure Act.~~

~~Notwithstanding the foregoing, claims arising under the Illinois Franchise Disclosure Act of 1987 shall be brought in any court in the state of Illinois with subject matter and personal jurisdiction in the particular matter.~~

~~2. Paragraph 19.f (Waiver of Jury Trial) is hereby modified by adding the following to the original language that appears therein~~end thereof:

However, the waiver in this paragraph 19.f. shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

~~3. "The Area Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. Paragraph 19.g (Limitation of Claims) is hereby~~

modified by adding the following to the end thereof:

"This provision may not be enforceable under California law." to the extent that it applies to claims brought under the Illinois Franchise Disclosure Act."

4. Paragraph 19.I.ii (waiver of punitive damages). is hereby modified by adding the following to the end thereof:

However, the waiver in this paragraph 19.I.ii relating to exemplary or punitive damages) shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

5. Paragraph 21 of the Franchise Agreement is hereby modified by adding the following paragraph to the end thereof:

"Nothing contained in Paragraph 21 shall constitute a waiver under the Illinois Franchise Disclosure Act."

IN WITNESS WHEREOF

~~3. Section 8 of the Area Development Agreement on Termination by Franchisor for Cause is amended by the addition of the following language to the original language that appears therein:~~

~~"The Area Development 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.)."~~

~~In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____ as of the date first above written.~~

Franchisor:
HuHot Mongolian Grills, L.L.C.

~~Developer~~Franchisee:
~~HUHOT MONGOLIAN GRILLS, L.L.C.~~

By: _____
Corporate Signature
A Montana limited liability company

By: _____

By: _____

By: _____

Title: _____

Title: _____

Individual Signatures:

**HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
and FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

The HuHot Mongolian Grills, L.L.C. Franchise Disclosure Document and Franchise Agreement for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Franchise Disclosure Document on "Trademarks" and Section 5 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement."

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 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, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

3. Paragraph 2.b. of the Franchise Agreement on Renewal and Section 16 of the Franchise Agreement on Termination are amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

4. Paragraph 18.e. of the Franchise Agreement on Governing Law/Consent to Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit the Company from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of Distributor's rights as provided for in Minnesota Statutes, Chapter 80C, or Distributor's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

5. Paragraph 18.f. of the Franchise Agreement on Waiver of Jury Trial is deleted in its entirety.

6. Paragraph 18.g. of the Franchise Agreement on Limitations of Claims is amended by the addition of the following language to the original language that appears therein:

"The statute of limitations under the Minnesota Stat. §80C.17 Subd. 5 shall govern for actions brought under that law."

In witness whereof, each of the undersigned hereby acknowledges having read this Exhibit, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
HuHot Mongolian Grills, L.L.C.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

~~HUHOT MONGOLIAN GRILLS, L.L.C.~~
~~ADDENDUM TO AREA DEVELOPMENT AGREEMENT~~
~~FOR THE STATE OF MINNESOTA~~

The HuHot Mongolian Grills, L.L.C. Area Development Agreement for use in the State of Minnesota is modified in accordance with the following:

1. ~~Section 8 of the Area Development Agreement is amended by the addition of the following language to the original language that appears therein:~~

~~"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."~~

~~In witness whereof, each of the undersigned hereby acknowledges having read this Exhibit, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.~~

~~Franchisor: _____ Developer: _____~~

~~HuHot Mongolian Grills, L.L.C. _____~~

~~By: _____ By: _____~~
~~Title: _____ Title: _____~~

HuHot Mongolian Grills, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

The Offering Prospectus for HuHot Mongolian Grills, L.L.C. ("Franchisor") for use in the State of New York is modified in accordance with the following:

1. All references made here to a Franchise Disclosure Document shall be amended to Offering Prospectus.
2. The following risk factor is added to the State Cover Page

THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$782,000 TO \$1,954,000. THE HIGHER AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 27, 2015, WHICH WAS \$832,743.

3. Item 3 of the Offering Prospectus on "Litigation" is amended by the addition of the following:

"Neither Franchisor, its predecessor, any person identified in Item 2, or an affiliate offering franchises under the Franchisor's principal trademark:

A. has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations; or significant actions in the context of the number of franchises and the size, nature or financial condition of the franchise system or its business operations.

B. has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antitrust, antifraud, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any

currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

4. Item 4 of the Offering Prospectus on "Bankruptcy" is amended to read as follows:

"Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering prospectus: (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 the officer or general partner of the franchisor held this position in the company or partnership.

5. Item 17 of the Offering Prospectus on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

"Franchisor will not assign its rights and obligations to a transferee unless in its reasonable judgment the transferee is able to fulfill Franchisor's obligations under its Franchise Agreement."

**HuHot Mongolian Grills, L.L.C.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

This Addendum is to a Franchise Agreement dated _____, 20__ between HuHot Mongolian Grills, L.L.C. ("Franchisor") and _____ (Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the Franchise Agreement on Renewal and Paragraph 14.b. of the Franchise Agreement on Transfer by Franchisee amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its 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 GBL Section 687.4 and 687.5 be satisfied."

2. Paragraph 14.a. of the Franchise Agreement on Transfer by Franchisor shall be amended by the addition of the following language to the original language that appears herein:

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its franchise agreements."

3. Paragraph 19.e. of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this__day of _____, 20__.

Franchisor:

HUHOT MONGOLIAN GRILLS, L.L.C.,
a Montana limited liability company

Franchisee:

Corporate Signature)

By: _____

Title: _____

Date Accepted: _____

By: _____

Title: _____

Date Signed: _____

Individual Signatures:

The Franchisor represents that this offering prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

**HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA**

The HuHot Mongolian Grills, L.L.C. Franchise Disclosure Document for use in the State of North Dakota is modified in accordance with the following:

1. Item 17, c. of the Franchise Disclosure Document on "Requirements for you to renew or extend" is amended by the addition of the following:

"The execution of a general release upon renewal shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."

2. Item 17, r. of the Franchise Disclosure Document on "Non-competition covenants after the franchise is terminated or expires" is amended by the addition of the following:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."

3. Item 17, u. of the Franchise Disclosure Document on "Dispute resolution by arbitration or mediation" shall be amended by the addition of the following:

"Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties."

4. Item 17, v. of the Franchise Disclosure Document on "Choice of forum" shall be amended by the addition of the following:

"The consent to the jurisdiction of the courts of the state of Montana shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law."

5. Item 17, w. of the Franchise Disclosure Document on "Choice of law" shall be amended by the addition of the following:

"Paragraph 19.e. of the Franchise Agreement on "Governing Law/Consent to Jurisdiction" is inapplicable to franchises operating under the North Dakota Franchise Investment Law."

**HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

This Addendum is to a Franchise Agreement dated _____, 20__ between HuHot Mongolian Grills, L.L.C. and _____ (Franchisee) to amend said Agreement as follows:

1. The execution of a general release upon renewal shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law.
2. Section 17.d. of the Franchise Agreement on "Covenant Not to Compete" is amended by the addition of the following language to the original language that appears therein:

"Covenants not to compete such as those mentioned above are generally unenforceable in the State of North Dakota."

3. Paragraph 19.e. of the Franchise Agreement is hereby amended to read as follows:

d. **Governing Law/Consent to Jurisdiction.** All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 *et seq.*). Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 *et seq.*), other federal law, or North Dakota law, this Agreement and the Franchise shall be governed by the laws of the State of Montana. Franchisee agrees that Franchisor may institute any action against Franchisee to enforce the provisions of this Agreement in any state or federal court of general jurisdiction in the State of Montana, or in the judicial district court in the State of North Dakota in which Franchisee has its principal place of business. Franchisee irrevocably submits to the exclusive jurisdiction of such courts and waives any objection he may have to either the jurisdiction or venue of such court.

4. Paragraph 19.f. of the Franchise Agreement on Waiver of Jury Trial is deleted in its entirety.
5. Section 19.g. of the Franchise Agreement on "Limitation of Claims" is deleted in its entirety.
6. Section 19.l. of the Franchise Agreement on "Mandatory and Binding Arbitration" shall be amended in part as follows:

"Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this day of _____, 20__.

Franchisor:
HuHot Mongolian Grills, L.L.C.
A Montana Limited Liability Company

Franchisee:
Corporate Signature:

a _____ corporation

By: _____
Title: _____

By: _____
Title: _____

Individual Signatures:

**HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF ~~WISCONSIN~~ WASHINGTON**

This Addendum is to a Franchise Agreement dated _____, 20__ between HuHot Mongolian Grills, L.L.C., and _____ (Franchisee) to amend said Agreement ~~by~~ as follows:

1. The State of Washington has a Statute, RCW 19.100.180 which may supersede the franchise agreement with the franchisor including the following language: areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship within the franchisor including the areas of termination and renewal of your franchise.

~~_____ The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes 2.~~
In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Contract or Agreement if Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

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

6. The undersigned does hereby acknowledge receipt of this addendum.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:

HuHot Mongolian Grills, L.L.C.

A Montana Limited Liability Company

Franchisee:

Corporate Signature:

a _____ corporation

By:

Title:

By:

Title:

Individual Signatures:

HUHOT MONGOLIAN GRILLS, L.L.C.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

This Addendum is to a Franchise Agreement dated _____, 20____ between HuHot Mongolian Grills, L.L.C., and _____ (Franchisee) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
HuHot Mongolian Grills, L.L.C.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT K

AREA DEVELOPMENT AGREEMENT

HUHOT MONGOLIAN GRILLS, LLC

DEVELOPER

DATE OF AGREEMENT: _____

NOTE: In this document, for convenience sake only, pronouns used in referring to Developer are "he," "him," or "his." Franchisor does not in any manner wish to imply that only males are qualified, suitable, or appropriate for the franchise described in this Area Development Agreement. Franchisor does not intend by its use of male pronouns to exclude females from consideration, and it encourages applicants of both genders.

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AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 20_____, by and between HUHOT MONGOLIAN GRILLS, LLC, a Montana limited liability company, with its principal office at 223 East Main Street, Missoula, Montana 59802, (the "Franchisor") and _____ whose principal address is _____ ("Developer").

1. RECITALS

A. Franchisor franchises certain Restaurants known as HuHot Mongolian Grills, devoted primarily to owning and operating sit-down restaurants offering Asian style cuisine cooked on a grill, using fresh meats, poultry, fish, seafood, vegetables, and sauces, individually selected by the customer. Such Restaurants are operated under certain trademarks, service marks, logos and other commercial symbols, including, without limitation, "HuHot Mongolian Grills" plus design (collectively the "Marks") and pursuant to certain confidential information and trade secrets. Such Restaurants are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by Franchisor.

B. Franchisor has decided to grant to persons who meet Franchisor's qualifications and who are willing to undertake the investment and effort, the right to establish and develop a number of HuHot Mongolian Grill Restaurants within a defined geographical area.

C. Developer acknowledges that he has read this Agreement and Franchisor's Franchise Disclosure Document and that he understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all HuHot Mongolian Grill Restaurants in order to protect and preserve the goodwill of the Marks.

D. Developer acknowledges that he has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted by HuHot Mongolian Grill Restaurants may evolve and change over time, that an investment in a HuHot Mongolian Grill Restaurant involves business risks and that the success of the venture is largely dependent upon the business abilities and efforts of Developer.

E. Franchisor expressly disclaims the making of, and Developer acknowledges that he has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Developer acknowledges that he has not received or relied on any representations, written or oral, about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms herein, and further represents to Franchisor, as an inducement to its entry into this Agreement that Developer

has made no misrepresentations, written or oral, to Franchisor in his application for the development rights granted hereunder.

2. DEFINITIONS

A. Exclusive Area. "Exclusive Area" shall mean the geographical area described in Exhibit A, attached hereto and incorporated herein by reference. The Exclusive Area as described in Exhibit A may be, at the request of Developer, replaced with another area deemed available for development by Franchisor in its sole judgment. In such event, Exhibit A shall be amended to describe the substituted area and all development rights and exclusivity granted hereunder for the original area defined on Exhibit A will terminate and shall be extended to the new Exclusive Area.

B. Development Period. "Development Period" shall mean each period of time defined as a Development Period in Section 3 of Exhibit B, attached hereto and incorporated herein by reference.

C. Franchise Agreement. "Franchise Agreement" shall mean the then current form of agreements (including without limitation, franchise agreement and any exhibits, riders, subleases or collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements used in connection therewith) customarily used by Franchisor in the granting of a franchise for the ownership and operation of a HuHot Mongolian Grill Restaurant except the initial franchise fee shall be as set forth in Paragraph 6.B. below. Attached to Franchisor's Franchise Disclosure Document is a copy of the current form of Franchise Agreement. DEVELOPER ACKNOWLEDGES THAT THE AGREEMENT ATTACHED TO FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT IS THE CURRENT FORM OF FRANCHISE AGREEMENT AND THAT FRANCHISOR, AT ITS SOLE DISCRETION BUT SUBJECT TO THE EXPRESS PROVISIONS CONTAINED HEREIN, MAY FROM TIME TO TIME MODIFY OR AMEND IN ANY RESPECT THE STANDARD FORM OF FRANCHISE AGREEMENT CUSTOMARILY USED IN GRANTING A "HUHOT MONGOLIAN GRILL RESTAURANT" FRANCHISE.

D. Developer. The term "Developer" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Developer hereunder, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "assignee" which are applicable to an individual or individuals shall mean the owner(s) of the equity or operating control of Developer or the assignee, if Developer or the assignee is a corporation or partnership.

3. DEVELOPMENT RIGHTS AND OBLIGATIONS

A. Term of Agreement/Reservation of Rights

(1) Subject to the provisions contained herein, this Agreement shall be for a term commencing on the date hereof and expiring on the last day of the last Development Period.

(2) Franchisor (on behalf of itself and its affiliates) retains the right, in its sole discretion and without granting any rights to Developer: (a) to itself own and operate, or to grant other persons the right to own and operate, HuHot Mongolian Grill Restaurants at such locations outside the Exclusive Area and on such terms and conditions as We deem appropriate in its sole discretion; and (b) to sell outside the Exclusive Area the services and products authorized for HuHot Mongolian Grill Restaurants under the Marks or other trademarks, service marks and commercial symbols through dissimilar channels of distribution and pursuant to such terms and conditions as We deem appropriate.

B. Rights During Development Periods. Provided Developer: (i) is in full compliance with the terms and conditions contained in this Agreement, including without limitation, the development obligations contained in Paragraph C of this Section 3; and (ii) is in full compliance with all obligations under all Franchise Agreements heretofore or hereafter entered into with Franchisor; then during the Development Periods, Franchisor: (1) will grant to Developer, in accordance with the provisions of Section 5 hereof, franchises for the ownership and operation of HuHot Mongolian Grill Restaurants located within the Exclusive Area; and (2) will not operate (directly or through an affiliate), nor grant a franchise for the operation of, any HuHot Mongolian Grill Restaurants to be located within the Exclusive Area, except such franchises as are granted to Developer.

C. Development Obligations. Developer agrees during the term of this Agreement and any extensions thereof that he will at all times faithfully, honestly, and diligently perform his obligations hereunder and that he will continuously exert his best efforts to promote and enhance the development of HuHot Mongolian Grill Restaurants within the Exclusive Area. Without limiting the foregoing obligation, Developer agrees to have signed leases within the Exclusive Area for the cumulative number of Restaurants at the end of each Development Period set forth in Section 3 of Exhibit B hereof ("Minimum Development Quota") and to have each such Restaurant open and operating within four (4) months from the date of possession. If Developer fails at any time to meet any Minimum Development Quota, Franchisor shall have the right to terminate this Agreement by delivering a notice to Developer stating that Franchisor elects to terminate this agreement as a result of such failure. Such termination shall be effective upon delivery of such notice of termination. Franchisor's right to terminate this Agreement shall be the sole and exclusive remedy of Franchisor for Developer's failure to meet a Minimum Development Quota.

4. RESTAURANT CLOSINGS

~~—— A HuHot Mongolian Grill Restaurant which is permanently closed with the approval of Franchisor after having been open shall be deemed open and in operation for purposes of the Minimum Development Quota if a substitute HuHot Mongolian Grill Restaurant is open and in operation within six (6) months from the date of such closing. Such replacement Restaurant shall not otherwise count toward such quotas.~~

5. GRANT OF FRANCHISES TO DEVELOPER

~~—— A. Subject to the provisions of Section 3 hereof, we agree to grant franchises to Developer for the operation of HuHot Mongolian Grill Restaurants located within the Exclusive Area, subject to the following:~~

~~(1) Developer must execute a franchise agreement and pay the applicable franchise fee before Franchisor will approve a site.~~

~~—— (2) When Developer selects a site under a franchise agreement, he shall submit to Franchisor a complete site report (containing such demographic, commercial, and other information and photographs as Franchisor may reasonably require) for each site at which Developer proposes to establish and operate a HuHot Mongolian Grill Restaurant and which Developer reasonably believes to conform to site selection criteria established by Franchisor from time to time. Such proposed site shall be subject to Franchisor's prior written approval, which will not be unreasonably withheld. In approving or disapproving any proposed site, Franchisor will consider such matters as it deems material, including without limitation, demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other Restaurants, the proximity to other businesses (including other HuHot Mongolian Grill Restaurants), and other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site) and the size of premises, appearance, and other physical characteristics; and~~

~~(3) Developer acknowledges that in order to preserve and enhance the reputation and goodwill of all Restaurants and the goodwill of the Marks, all HuHot Mongolian Grill Restaurants must be properly developed and operated. Accordingly, Developer agrees that Franchisor may refuse to grant to Developer a franchise for a proposed HuHot Mongolian Grill Restaurant, unless in Franchisor's reasonable judgment demonstrates sufficient financial capabilities to properly develop and operate the HuHot Mongolian Grill Restaurant. To this end, Developer shall furnish to Franchisor such financial statements and development plans and other information regarding Developer in the development and operation of the proposed HuHot Mongolian Grill Restaurants (including, without limitation pro forma statements and investment and financing plans for the proposed HuHot Mongolian Grill Restaurant) as Franchisor may reasonably require.~~

~~B. By delivery of written notice to Developer, Franchisor will approve or disapprove sites proposed by Developer for the operation of a HuHot Mongolian Grill Restaurant. Franchisor agrees to exert its best efforts to deliver such notification to Developer within thirty (30) days of receipt by Franchisor of the complete site reports and the financial statements and other materials reasonably required by Franchisor. If Developer shall fail to execute a lease within thirty (30) days after delivery of Franchisor's approval thereof, Franchisor may, at its sole discretion, withdraw approval of such site.~~

~~6. DEVELOPMENT FEE AND FRANCHISE FEES~~

~~A. Development Fee. Concurrently with the execution of this Agreement, Developer shall pay to Franchisor the sum set forth in Paragraph 1 of Exhibit B hereof as a nonrefundable Development Fee which shall be deemed fully earned by Franchisor upon execution of this Agreement.~~

~~B. Franchise Fees.~~

~~Developer is required, if he is not already a franchisee, to execute one franchise agreement and pay the \$40,000 franchise fee, simultaneously with the execution of this Agreement.~~

~~For each subsequent HuHot Mongolian Grill Restaurant developed pursuant to this Agreement, the franchise fee will be Thirty Thousand Dollars (\$30,000).~~

~~In the event Developer opens more than the number of Restaurants required to meet his Minimum Development Quota, either within or outside his Exclusive Area, the then-current initial franchise fee for the cumulative number of Restaurants will apply.~~

~~7. APPLICABILITY OF FRANCHISE TERMS~~

~~A. Developer has, contemporaneously with this agreement, executed a Franchise Agreement for _____ with Franchisor. The parties hereby agree that the following covenants contained in that Franchise Agreement are, to the extent applicable here, in full force and effect and are hereby incorporated as terms of this Area Development Agreement:~~

~~Section 5. — Marks.~~

~~Section 6. — Proprietary Information.~~

~~Section 7. — Relationship with the Parties.~~

~~Section 12. — Inspections and Audits.~~

~~Section 14. — Transfer.~~

~~Section 15. — Termination by Franchisee.~~

~~Section 17. — Rights of Franchisor and Obligations of Franchisee upon Termination or Expiration for the Franchise.~~

Section 19. — Enforcement

8. — TERMINATION BY FRANCHISOR

~~A. In addition to Franchisor's right to terminate under Paragraph C of Section 3 hereof, Franchisor shall have the right to terminate this Agreement by delivering a notice to Developer stating that Franchisor elects to terminate this Agreement as a result of any of the breaches set forth below. Such termination shall be effective upon delivery of such notice of termination or, if applicable, upon failure to cure (to Franchisor's satisfaction) any such breach by the expiration of any period of time within which such breach may be cured in accordance with the provisions set forth below. It shall be a material breach of this Agreement if:~~

~~(1) Developer (or any shareholder, partner, or member, if Developer is a corporation, partnership, or limited liability company) makes an unauthorized assignment or transfer of this Agreement or an ownership interest in Developer;~~

~~(2) a general partnership interest in Developer (if Developer is a limited partnership) is terminated, for whatever reason;~~

~~(3) Developer (or any shareholder, partner, or member, if Developer is a corporation, partnership, or limited liability company) has made any material misrepresentation or omission in its application for the development rights conferred by this Agreement or is convicted of or pleads no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Marks;~~

~~(4) Developer (or any shareholder, partner, or member, if Developer is a corporation, partnership, or limited liability company) makes any unauthorized use of the Marks or unauthorized use or disclosure of the Proprietary Information;~~

~~(5) Developer fails to comply with any other provision of this Agreement;~~

~~(6) Developer fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Developer;~~

~~(7) Franchisor has delivered two or more notices of default of a Franchise Agreement to which Developer or any owner of Developer is a party, whether or not Developer cures the defaults noted in the notices of default, or Developer has terminated a Franchise Agreement without cause, as defined in such agreement;~~

~~(8) Developer fails to meet the Minimum Development Quota set forth in Paragraph 3.C.; and~~

~~(9) Developer fails to timely pay any lender to whom Franchisor has~~

~~guaranteed Developer's obligations, or Franchisor if Developer has entered into a financing arrangement with Franchisor:~~

~~_____ h. _____ more than three (3) times if the defaults are cured, or~~

~~_____ i. _____ one (1) time if the default is not cured during the financing term.~~

~~_____ B. _____ Developer shall have the right to cure a breach under Paragraph 8.A.(5) within thirty (30) days after delivery of Franchisor's notice of termination.~~

9. EFFECTS OF TERMINATION AND EXPIRATION

~~_____ A. _____ Loss of Rights and Exclusivity. _____ Upon termination or expiration of this Agreement, Developer loses the right to open any additional HuHot Mongolian Grill Restaurants. Developer also loses exclusive rights to the Exclusive Area described in Paragraph 2.A. and Exhibit A, and Franchisor may thereafter grant franchises for any HuHot Mongolian Grill Restaurants anywhere in said Exclusive Area except for protected areas already established per executed franchise agreements with Developer. Developer also loses exclusive rights to any wholesale business in the Exclusive Area. Developer is not entitled a refund or credit of his Development Fee.~~

~~_____ B. _____ Continuing Obligations. _____ All obligations of Franchisor and Developer under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.~~

~~_____ C. _____ Covenant Not To Compete. _____ Upon termination or expiration of this Agreement, Developer agrees that for a period of two (2) years, commencing on the effective date of expiration or termination of this Agreement, Developer (and its shareholders, partners, or member) will not have any interest as an owner, partner, director, officer, employee, consultant, representative, agent, lender, lessor, or in any other capacity, in any "Competitive Business", as defined in Section 9.f. of the Franchise Agreement executed concurrently with this Agreement, located or operating within the Exclusive Area, except for HuHot Mongolian Grill Restaurants operated under Franchise Agreements granted by Franchisor and the ownership of securities listed on a stock exchange or traded on the over the counter market that represent three percent (3%) or less of that class of securities. Notwithstanding anything contained in this Agreement to the contrary, or in the event of termination or expiration of this Agreement, the covenants not to compete set forth in each franchise agreement executed by Developer shall continue in full force and effect for the duration of the time periods and for the geographic limits applicable to each such franchise agreement.~~

10. INDEPENDENT CONTRACTORS/INDEMNIFICATION

~~Franchisor and Developer are independent contractors, and no training, assistance or supervision, which Franchisor may give or offer to Developer, will defeat this status. Neither Franchisor nor Developer shall be obligated by or have any liability under any agreements, representations, or warranties made by the other that are not expressly authorized hereunder, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of Developer's business conducted pursuant to this Agreement, whether or not caused by Developer's negligent or willful action or failure to act. Franchisor shall have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied upon Developer or its assets or upon Franchisor in connection with the business conducted by Developer, or any payments made by Developer to Franchisor pursuant to this Agreement or any Franchise Agreement. Developer agrees to indemnify Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees against and to reimburse them for all such obligations, damages, and taxes for which they are held liable and for all costs reasonably incurred by them in the defense of any such claim brought against them or in any action in which they are named as a party, including without limitation reasonable attorneys' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Franchisor shall have the right to defend any such claim against it. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.~~

~~11. NOTICES AND PAYMENTS~~

~~All notices and reports to Franchisor or Developer, if not personally served, shall be deemed so delivered by hand, one (1) business day after transmission by telegraph or other electronic system, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its more current principal business address of which the notifying party has been notified. All notices shall be sent postage prepaid and addressed to the respective party as follows, or as either party may from time to time designate in writing.~~

"Franchisor"	"Developer"
HuHot Mongolian Grills, LLC	
223 East Main Street	
Missoula, MT 59802	

~~IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement in 2 counterparts on the day and year first above written.~~

Franchisor: _____ **Developer:** _____
HuHot Mongolian Grills, LLC _____
A Montana limited liability company _____

By: _____ By: _____

Title: _____ Title: _____

EXHIBIT A

**TO THE HUHOT MONGOLIAN GRILLS, LLC AREA DEVELOPMENT
AGREEMENT BY AND BETWEEN HUHOT MONGOLIAN GRILLS, LLC**

AND _____

DATED _____

_____ The Exclusive Area referred to in Section 2 of the captioned agreement shall be for
_____ () HuHot Mongolian Grill Restaurants(s) to be located within the following
geographic area:

Franchisor: _____ **Developer:** _____
HuHot Mongolian Grills, LLC _____
A Montana limited liability company _____

By: _____ **By:** _____

Title: _____ **Title:** _____

EXHIBIT B

TO THE HUHOT MONGOLIAN GRILLS, LLC AREA DEVELOPMENT
AGREEMENT BY AND BETWEEN HUHOT MONGOLIAN GRILLS, LLC

AND _____

DATED _____

1. The Development Fee referred to in Section 6 of the captioned agreement shall be \$20,000 per store for a total of \$ _____. Developer will receive a credit of \$10,000 against each of the first _____ initial franchise fees for restaurants developed under this agreement.
2. For Restaurants developed pursuant to this Area Development Agreement, the franchise fee will be Thirty Thousand Dollars (\$30,000) except as modified above.
3. Developer agrees to develop _____ () HuHot Mongolian Grill restaurants in exclusive areas in Exhibit A, in addition to the restaurant being built in _____. Parties agree that the initial franchise fee for each such restaurant shall be the amount stated in Paragraph 2 above and that the monthly royalty fee shall be _____ % of sales for each of the _____ () restaurants. Developer shall open the first subsequent restaurant within 12 months from the opening date of the _____ restaurant and shall open an additional restaurant under this agreement each subsequent 12 months thereafter. This agreement commences on the date the restaurant opens for business in _____, and expires _____ () years after the commencement date. Should any of Developer's restaurants be unsatisfactory in Developer's sole judgment, Developer may give written notice to Franchisor of termination of this agreement and all of Developer's rights and obligations hereunder to develop additional restaurants shall cease.
4. Developer agrees that Rider B to franchise agreements executed pursuant to this agreement shall specify a protected radius of _____ miles.

Franchisor: _____ Developer: _____
HuHot Mongolian Grills, LLC _____
A Montana limited liability company _____

By: _____ By: _____
Title: _____ Title: _____

EXHIBIT C

**TO THE HUHOT MONGOLIAN GRILLS, LLC AREA DEVELOPMENT AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____

_____ In consideration of, and as an inducement to, the execution of that certain HUHOT MONGOLIAN GRILLS, LLC Area Development Agreement of even date herewith (the "Agreement") by HuHot Mongolian Grills, LLC (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Developer") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Section 7 and Paragraph B of Section 11.

_____ Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; (5) all right to payment and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty and Assumption of Obligations; and (6) any and all other notices and legal or equitable defenses to which he may be entitled.

_____ Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer 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 shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

_____ IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP OF DEVELOPER
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	0/0
	0/0
	0/0
	0/0
	0/0
	0/0

~~EXHIBIT L~~

**PRELIMINARY AGREEMENT
HUHOT MONGOLIAN GRILLS, LLC**

APPLICANT

DATE OF AGREEMENT: _____

HuHot Mongolian Grills, LLC
PRELIMINARY AGREEMENT

THIS PRELIMINARY AGREEMENT ("Agreement") with effective date of _____ (acceptance date by Franchisor), by and between HuHot Mongolian Grills, LLC, a Montana limited liability company ("Franchisor," "We," "Our," or "Us"), whose principal address is 223 East Main Street, Missoula, Montana 59802, and _____ ("You" or "Your"), whose principal address is _____.

R E C I T A L S:

A. We operate a franchise network to own and operate sit-down restaurants offering Asian-style cuisine cooked on a grill, using fresh meats, poultry, fish, seafood, vegetables, and signature sauces, individually selected by the customer ("HuHot Restaurants"). These Restaurants will be operated under the service mark "HuHot Mongolian Grills®," plus design, and such other trademarks, service marks and commercial symbols as we will authorize from time to time (collectively "Marks"). Such Restaurants will be operated in accordance with certain required formats, systems, methods of food preparation and service, standards and procedures, and trade dress, which we may modify from time to time ("System").

A "HuHot Restaurant" is a restaurant in a free-standing building, strip center or mall location, which we recommend to be approximately 4,000 to 6,500 square feet with seating capacity for 100 to 225 customers with a full service bar or, minimally, beer and wine service from a service bar.

B. We grant to persons who meet our qualifications, and who are willing to undertake the investment and effort, a franchise ("Franchise") to own and operate a HuHot Restaurant utilizing the Marks and System. You have applied for, and are investigating whether to acquire, a Franchise from us for a HuHot Mongolian Grill restaurant.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, you and we agree as follows:

1. The Recitals are incorporated by reference.
2. Concurrently with signing this Agreement, you have deposited with us the sum of Ten Thousand Dollars (\$10,000) (the "Deposit"). We will credit the Deposit toward the initial franchise fee you would owe to us under our then current form of franchise agreement for a HuHot Mongolian Grill Franchise Agreement ("Franchise Agreement") if we and you sign a Franchise Agreement. But, if we do not grant you a Franchise during the term of this Agreement, we will partially or fully refund the Deposit as provided in Section 10 below. The Deposit will not bear interest, and we need not establish a separate account to hold the Deposit.
3. Within ninety (90) days after the Effective Date, you must obtain our approval of a site at which to locate a HuHot Restaurant (a "Site") within the following geographic area (the "Site Selection Area"):

and sign our then current form of Franchise Agreement. During the term of this Agreement, neither we nor our affiliates will establish or operate, or grant rights to any third party to establish or operate, a HuHot Restaurant in the Site Selection Area. However, you are not receiving any other exclusive rights or protection in the Site Selection Area, and we (on our own behalf and on behalf of our affiliates and designees) retain all other rights with respect to HuHot Restaurants, the Marks, and the marketing and sale of any products and services, anywhere in the world.

4. You must locate the site(s) for your Restaurant and submit a site report(s) to us. We shall assist you in the selection and shall not unreasonably withhold our approval of a site that in our judgment is suitable in terms of demographic characteristics, traffic patterns, parking, character of neighborhood, competition from other businesses within the area, the proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the site.

5. You acknowledge and agree that, if we recommend or give you information regarding a site, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a HuHot Restaurant or any other purpose. Our recommendation indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the Franchise is based on your own independent investigation of the site's suitability for a HuHot Restaurant.

6. If you do not locate an approved Site and sign a Franchise Agreement for that Site within ninety (90) days after the Effective Date, we may at any time afterward terminate this Agreement. Upon termination, we might refund (without interest) a portion of the Deposit, as provided in Section 10 of this Agreement.

7. We have the right to approve the terms of any lease or sublease for the Site before you sign it. You must not sign any lease or sublease or acquire any other interest in the Site until you sign and comply with your obligations under the Franchise Agreement.

8. You may withdraw your consideration for a Franchise and terminate this Agreement by delivering written notice to us at any time before you and we sign the Franchise Agreement. The refundability of the Deposit depends on when you terminate this Agreement (as described in Section 10).

9. We may terminate this Agreement at our option (in which case we will not grant you a Franchise):

(a) for any or no reason within thirty (30) days after the Effective Date;

(b) after ninety (90) days following the Effective Date, if, within that time period, you have not selected and we have not approved an acceptable Site, as described in Sections 3, 4 and 5 of this Agreement, and/or you have not signed a Franchise Agreement;

(c) if you have made or make any material misrepresentation or omission in your franchise application or in your dealings with us;

(d) if you are convicted by a trial court of or plead no contest to a felony or other crime or offense, or engage in any other conduct, which might in our opinion adversely affect the reputation of a HuHot Restaurant or the goodwill associated with the Marks; or

(e) if you make any unauthorized use or disclosure of any of our confidential information or breach any other agreement with us.

10. If you terminate this Agreement for any or no reason during the thirty (30) day period after the Effective Date, or if we terminate this Agreement under Section 9(a), we will refund (without interest) all of the Deposit. If you terminate this Agreement for any or no reason following the thirty (30) day period after the Effective Date, or if we terminate this Agreement under Section 9(b), we will refund (without interest) Five Thousand Dollars (\$5,000.00) of the Deposit and keep the rest of the Deposit. However, if we terminate this Agreement under Section 9(c), (d) or (e), then we may retain the entire Deposit.

11. Your rights under this Agreement are personal in nature and not transferable by assignment, will, operation of law, or otherwise.

12. This Agreement is neither an offer of a Franchise by us nor a contract for the acquisition of a Franchise or any other rights to operate a HuHot Restaurant. Only our and your signing a Franchise Agreement will bind us and you to a franchise relationship and grant you the right to use the Marks and develop a HuHot Restaurant.

HuHot Mongolian Grills, LLC a Montana
limited liability company

By: _____
Its: _____

APPLICANT

RECEIPT (Your Copy)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If HuHot Mongolian Grills, L.L.C. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If HuHot Mongolian Grills, L.L.C. does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agencies listed in Exhibit F. HUHOT authorizes the agents listed in Exhibit F to receive service of process for HUHOT.

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

____ Molly Vap O'Shea, 3507 Ringsby Court, Suite #112, Denver, CO 80216 (406) 544-8944
____ Andy Vap, 5842 N. Maitland Court, Whitefish Bay, WI 53217, (406) 251-4303
____ Linda Vap, 223 East Main St., Missoula, Montana 59802, (406) 251-4303
____ Laura Ann Sporrer, 223 East Main St., Missoula, Montana 59802, (406) 251-4303
____ Stephanie Krause, 3507 Ringsby Court, Suite #112, Denver, CO 80216 (406) 544-8944
4303
____ Other: _____

I have received a Franchise Disclosure Document with an issuance date of ~~March 22, 2016~~ April 3, 2017, and an effective date for state registrations as noted on page iv of this Disclosure Document. This Franchise Disclosure Document includes the following Exhibits:

A – Franchise Agreement	G – Restaurant Operations Manual Table of Contents (Traditional Unit and Express Unit)
B – Disclosure Acknowledgement Statement	H – Point-of-Sale Computer System and Other Computer Hardware and Software
C – Confidentiality and Non-Competition Agreement (Managerial)t	I – General Release (sample)
D – Financial Statements	J – State Addenda and Agreement Riders for California, <u>Illinois</u> , Minnesota, New York, North Dakota, <u>Washington</u> , and Wisconsin
E-1 - List of Franchised HuHot Restaurants	K – Area Development Agreement
E-2 List of Affiliate-Owned HuHot Restaurants	L – Preliminary Agreement
E-3 –List of Terminated HuHot Restaurants	
F – List of State Agencies/Agents for Service of Process	

Dated: _____

By: _____
Individually and/or as an Officer or Partner of:

A _____ Corporation
A _____ Partnership
A _____ Limited Liability Company

FDD2016.003 FDD2017.004 multistate

Keep this copy for your records

RECEIPT (HuHot's Copy)

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Dated: _____

By: _____
Individually and/or as an Officer or Partner of:

A _____ Corporation
A _____ Partnership
A _____ Limited Liability Company

~~FDD2016.003~~ FDD2017.004 multistate

Please sign this copy of the receipt, date your signature, and return to HuHot Mongolian Grills, L.L.C.
(mail to 223 East Main Street, Missoula, Montana 59802)