

FRANCHISE DISCLOSURE DOCUMENT



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The franchises described in this disclosure document are for the development and operation of **JIMBOY'S®** Restaurants offering tacos and burritos, and that may also serve quesadillas, enchiladas, tostadas, guacamole, rice, beans, other related food and beverage products, and ancillary merchandise.

The total investment necessary to begin operation of each franchised Restaurant is \$375,000 to \$1,379,000. This includes \$35,000 that must be paid to the franchisor for the Initial Franchise Fee. If You are an Area Developer, You are required to pay the franchisor a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant plus \$15,000 for each additional Required Restaurant.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact our Franchise Development Coordinator, at the above address and telephone number.

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

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

Issuance Date: October 8, 2020

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in the state in which our principal place of business is located (currently Sacramento County, California). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in the state in which our principal place of business is located (currently Sacramento County, California) than your own state.
2. **Personal Liability.** If you are a legal entity, all of your owner(s) must personally guarantee the franchise agreement, thereby placing his/her personal assets at risk.

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

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- D. State Agents and State Administrators
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- F. Current and Former Franchisees
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ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the words "**We**", "**Us**", or "**Our**" mean the franchisor Jimboy's North America, LLC. "**You**" or "**Your**" means the person who buys the franchise and includes Your owners if You are a corporation, limited liability company, partnership or other business entity. Bold face terms are for ease of reference only.

The Franchisor

We are a Nevada limited liability company formed on June 28, 2012 to franchise and administer businesses using the trademark JIMBOY'S® and JIMBOY'S TACOS™ ("**Restaurants**"). We do not do business under any other name and Our principal business address is 80 Iron Point Circle, Suite 105, Folsom, California 95630. We have offered franchises for Restaurants since January 25, 2013. Our agents for service of process are listed on **Exhibit D**.

Parent and Predecessor

Jimboy's Tacos, Inc. ("**JTI**"), a corporation formed under California law on March 4, 1966, is Our parent company and predecessor in interest for the purposes of holding brand assets. We are a wholly owned subsidiary of JTI, but JTI has no operational or management control over JIMBOY'S franchises. JTI's principal business address is 80 Iron Point Circle, Suite 105, Folsom, California 95630.

Jimboy's Tacos was founded by Jim and Margaret Knudson in 1954, in Lake Tahoe, California. The first Jimboy's Tacos shop was opened in Sacramento, California in 1959. In 1965, Jimboy's Tacos began franchising restaurants in the Sacramento region under the supervision and guidance of Jim Knudson, the father of Karen E. Freeman, the current President of JTI.

On January 31, 1978, JTI and Jimboy's Marketing, Inc. ("**JMI**"), an independent California corporation, signed a Master Franchise Agreement granting JMI the rights as Master Franchisee to sell, develop, and support JIMBOY'S franchise units in Northern California and Nevada. Effective August 1, 2012, JTI and JMI agreed mutually to terminate the Master Franchise Agreement and JMI assigned its rights to all its existing JIMBOY'S sub-franchise agreements to Jimboy's North America LLC.

Other than the Master Franchise Agreement with JMI, JTI does not now and has never in the past sold franchises in any other line of business. Since 1998, JTI has directly and through related entities operated JIMBOY'S Restaurants. You may conduct some business directly with JTI, as JTI may be an approved supplier of goods or services to franchised Restaurants.

We have been offering JIMBOY'S franchises for sale since August 22, 2012. JTI has been operating a business of the type being franchised since at least 1978. Neither We nor JTI conduct any business activities other than in connection with the Restaurants or have previously offered franchises in this or any other line of business.

Affiliate

The Willowrock Group, LLC is Our affiliate ("**WRG**") and also located at 80 Iron Point Circle, Suite 105, Folsom, California 95630. WRG operates 1 JIMBOY'S Restaurant. You may conduct business directly with WRG, as WRG may be an approved supplier of goods or services to franchised Restaurants. WRG does not conduct any business activities other than in connection with the Restaurants and has not previously offered franchises in this or any other line of business.

Description of the Franchise

We offer franchises for the operation of Restaurants which specialize in the sale of tacos, burritos, enchiladas, salads, quesadillas, guacamole, rice, beans, other related food and beverage products, and ancillary merchandise. The Restaurants will use the JIMBOY'S trademark and other designated trademarks, trade names, service marks and logos ("**Marks**").

Each Restaurant must follow a system (the "**System**") developed by Our founders starting in 1954. The System includes valuable knowhow, trade secrets, distinctive interior designs, demarks, copyrights, proprietary products and software, confidential electronic and other communications, marketing programs and other business procedures as well as Our confidential Operating Manual (the "**Manual**"). Each Restaurant will use Our System and operate according to Our standards, specifications, operating procedures and rules (the "**System Standards**").

Restaurants typically range in size from 1,800 to 2,500 square feet with outside patio dining. They are typically high visibility in-line or end caps located in active and demographically dynamic markets that offer a mix of retail, residential, office, hotel, restaurants and entertainment venues. Restaurants are conveniently located on major roadways with good visibility and easy accessibility and half of the Restaurants have drive-thrus. The fast-casual Restaurants have a unique atmosphere identified exclusively with the JIMBOY'S brand name and every detail of the décor has been well planned to enhance the dining experience. The vintage interior instantly conveys high energy and fun, while celebrating our rich history and signature taco. The vibrant color accents, distinctive stone, wood and metal design textures, interior décor all combine to promise an experience consistent with the quality of the food and exceptional dining experience for the customer. Each Restaurant's manager and team enthusiastically serve high-quality food items prepared by a well-trained kitchen crew. Catering services may be offered at certified locations. Each Restaurant has approximately 18 to 25 full and part time employees. Operating hours are typically 8 a.m. to 10 p.m. Most Restaurants will offer beer.

Franchise Agreements

You must be approved both operationally and financially before opening each new Restaurant. The first step is to file a Franchise Application and Questionnaire with Us. If We approve Your Franchise Application, You will execute a Franchise Agreement (**Exhibit A**) and pay the initial franchise fee. The initial term of each Franchise is 10 years and is renewable for two additional 5-year terms, subject to certain conditions. See "Renewal" discussed below in ITEM 17.

Area Development Agreements

We may offer to qualified multiple unit developers ("Developers") an Area Development Agreement ("**ADA**") for the opening and operation a minimum of 3 franchised Restaurants, and preferably 5 or more franchised Restaurants within a designated area ("**Territory**") pursuant to a mutually agreed upon Development Schedule. See **Exhibit B**. The ADA grants the exclusive right and obligation to develop a minimum number of Restaurants within the Territory during a certain time period (the "**Required Restaurants**"). A Developer must pay Us a nonrefundable Development Fee. The primary purpose of the Development Fee is to pay Us for reserving the designated territory. You must execute Our then-current form of the Franchise Agreement for each Required Restaurant. See ITEM 5 for initial fees.

Competition

The food service business is highly competitive. You will compete with a variety of food service establishments which may have financial, personnel, and technical resources far greater than Us or You, including mid-scale casual dining Restaurant chains and fast food chains. You will compete for business in this highly competitive environment and understand that there is no guarantee of Your success. You will offer products and services to the general public and individual consumers, for on-site consumption and carry out.

Industry Regulation

Restaurant development and operation is highly regulated at the federal, state and local levels. These include design and construction requirements and permits, restaurant health, safety and sanitation, employee tip reporting, employment conditions, alcohol and tobacco sales and usage, "dram shop" laws (which make bars and restaurants liable to persons injured by an intoxicated customer), waste and hazard materials handling and storage, advertising, access for disabled persons, advertising and food product labeling and menus. You must comply with all local, state and federal laws that apply to the operation of Your Restaurant. You should investigate with your state and local agencies, the applicability of these and possibly other regulations in the area in which you are interested in locating Your Restaurant and should consider both their effect and cost of compliance. To obtain an alcoholic beverages license, You will be subject to fairly intense governmental regulation both in obtaining the license and properly maintaining it.

ITEM 2. BUSINESS EXPERIENCE

The business experience of Our officers, directors and key management for the last five years is as follows:

Erik Freeman, Chief Executive Officer & Chief Financial Officer

Erik Freeman is Our Chief Executive Office and Chief Financial Officer. He has been our CEO since January 2020 and CFO since June 2012. Mr. Freeman also is the CFO of Willowrock Group, LLC a position he has held since June 2012.

Karen Freeman, President

Karen Freeman is Our Managing Member, a position she has held since June 2012. Ms. Freeman was Our President from June 2012 to January 2020, and is currently the President of Jimboy's Tacos, Inc. a position she has held since December 2009. Ms. Freeman was Vice President of Jimboy's Tacos, Inc. from January 1985, to December 2009, and is the daughter of our Founders, Jim and Margaret Knudson.

Todd Swiderski, Director of Operations

Todd Swiderski is Our Director of Operations, a position he has held since January 2018. Previously, he worked for Chicago Fire Pizza in Folsom, CA and was Vice President of Operations from May 2016 to October 2017; Director of Operations from November 2013 to May 2016; and General Manager from September 2011 to November 2013.

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ITEM 3. LITIGATION

David Angulo and Fraidoon Ali. vs. Jimboy's North America, LLC; Karen Freeman; Erik Freeman; Michael Freeman; James Freeman; Scott Knudson and Willowrock Group, LLC. (Superior Court, Los Angeles County, California Case No. 20STCV06673, Filed February 14, 2019).

The Complaint alleges fraudulent business practices and unlawful sale of franchise investment in violation of the California Franchise Investment Law, Corporations Code Section 31000 et seq. Defendants filed a Motion to Compel Arbitration on April 17, 2020. A Hearing on the Motion to Compel Arbitration is scheduled for October 21, 2020.

Jimboy's Marketing, Inc., and Bellagrace, Inc. vs. Jimboy's North America, LLC; Karen Freeman; James Freeman; and Robert Andersen. (Superior Court, Sacramento County, California Case No. 34-2016-00194586, Filed May 16, 2016).

The Complaint was filed after we did not renew a Consulting Agreement and alleges breach of contract, fraud, conspiracy and violation of California Business & Professions Code Section 20025. Defendants have successfully defeated a motion for a preliminary injunction and the court has now twice sustained their demurrers to the allegations made in the Complaint. Defendants filed an Answer on March 3, 2017, an amended Answer to Second Amended Complaint on June 4, 2018 and an amended Answer to Third Amended Complaint on June 5, 2018. The Defendant's Cross-Complaint was filed on June 5, 2018. The parties agreed to settle this matter with dismissal of the Complaint and mutual general releases. Jimboy's North America, LLC) agreed to pay Plaintiffs \$774,000 over a ten-year period and Bellagrace, Inc. will continue operation of its franchised location. If the location is sold prior to August 1, 2022, Bellagrace, Inc. will receive two percent of the location's gross sales for a period of ten years. The case was dismissed on March 19, 2019.

Other than this action, no litigation is required to be disclosed in this ITEM.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Initial Franchise Fee

The initial franchise fee for each new franchise Restaurant is \$35,000 as payment for services rendered prior to the opening of the Restaurant.

There are no refunds of any part of the Initial Franchise Fee. All such fees payable to Us are intended to be “net” amounts and You must pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees.

Area Development Agreement

We are also offering franchises to qualified Developers who will develop and operate at least 3 to 5 Restaurants under an Area Development Agreement.

You must pay Us a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant plus \$15,000 for each additional Required Restaurant (as specified in the development schedule to hold the designated territory).

As You develop each Required Restaurant, You will pay Us an initial franchise fee less a credit from the Development Fee. The credit is \$35,000 for the first Required Restaurant (the full amount of the initial franchise fee) and \$15,000 for each additional Required Restaurant).

For each Required Restaurant opened under the Area Development Agreement, the initial franchise fee will be \$35,000 and the franchise royalty fee will be 5% of Gross Revenues. There are no refunds of these payments.

Legacy Franchisees

We may negotiate Our Initial Franchise Fees with Our Legacy Franchisees who may pay Initial Franchise Fees ranging from \$5,000 to \$15,000. Our Legacy Franchisees have typically operated JIMBOY's Restaurants for over ten years and are either purchasing additional locations or renewing their original Franchise Agreement.

ITEM 6. OTHER FEES

NAME OF FEE (1)	AMOUNT	DUE DATE	
Franchise Royalty Fee	5% of Gross Revenues	Weekly	All Fees are payable to Us. See Note 2 and 3.
Local Marketing Commitment	2% of Gross Revenues	As Incurred	See Note 4
System Brand Fund	3% of Gross Revenues	Weekly	All Fees are payable to Us. See Note 2, 3 and 5.
Supplier Approval Fee	Reasonable amount for Our costs and efforts (currently \$1,000)	Upon request for approval	All Fees are payable to Us. See Note 6.
Additional Training	Reasonable Fee (currently \$500 per day)	Upon Invoice	All Fees are payable to Us. See Note 7.
Opening Assistance	Our then-current per diem fee, plus Our expenses (currently \$350 per day)	Upon Invoice	All Fees are payable to Us. See Note 8.
Late Payment Fees	\$250 plus interest on late amounts at 18% or highest legal rate	Upon Invoice	All Fees are payable to Us.
Attorney Fees	Reasonable amount to prevailing party in any legal proceeding	Upon conclusion of proceeding	See Note 9.
Transfer Fee	25% of then current Initial Fee	Before actual transfer	All Fees are payable to Us. See Note 10.
Renewal Fee	\$10,000	Prior to Renewal	All Fees are payable to Us. See Note 10.
Audit	Reasonable Accounting and Legal Fees	Upon invoice	All Fees are payable to Us. See Note 11.
Insurance Premiums	What You have failed to pay the Insurer	Immediately upon Invoice	Payable to Us to reimburse Us for having to pay Your obligation.
Indemnification	Amount of claim and costs incurred	Upon Demand	All Fees are payable to Us. See Note 12.
Liquidated Damages - Default	Lump Sum. Calculation based on number of months and Royalty Fee averages.	Upon Demand	See Note 13.
Liquidated Damages - Wrongful Hire	Amount of annual salary	Upon Demand	See Note 14.

FOOTNOTES:

- (1) All fees are imposed uniformly and paid to Us unless indicated otherwise. None of these fees are refundable for any reason except errors. All fees payable to Us are intended to be “net” amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees (specifically not to include income taxes). We may negotiate Our royalty fee and local marketing obligation with Our Legacy Franchisees. Our Legacy Franchisees have typically operated JIMBOY’s Restaurants for over ten years and are either purchasing additional locations or renewing their original Franchise Agreement.
- (2) **"Gross Revenues"** is defined in the Franchise Agreement and includes all amounts received for services and product sales in or from the Restaurant. "Gross Revenues" does not include sales taxes, complimentary employee meals, discounts, revenue derived from selling or issuing system gift or loyalty cards (although revenue derived from selling products and services to customers who use such cards for payment will be included in Gross Revenues), refunds or proceeds from the sale of furniture, equipment or similar items used in the Restaurant.
- (3) You must pay these fees no later than the fifth (5th) day following the end of each week or such other time as may be designated in the Manual. You agree to pay all such Fees to Us by direct transfer of funds (“**EFT**”) or other method of payment designated by Us. You must submit, for each designated period, a sales report, and ensure that each account has sufficient funds for the transfer.
- (4) You must spend at least this amount monthly to conduct approved local advertising and sales programs for Your Restaurant. If an advertising cooperative is established in Your area, You must join it and contributions to it will be applied toward this obligation.
- (5) We will deposit each payment into a separate bank account to be used for advertising and marketing purposes as described in ITEM 11. Restaurants operated by affiliates will also contribute to this Fund.
- (6) We may impose reasonable inspection and supervision fees to cover Our costs in evaluating and maintaining alternative brands or suppliers You propose. Our current estimated cost is \$1,000 although costs could exceed this amount depending on the product.
- (7) The Initial training is free for up to 3 people. This estimate is for additional training if You request Our assistance after Your Restaurant opens or if We determine that You require Our assistance. Typically, additional training might include 1 to 2 persons for 2 days. Fees may not be uniformly imposed depending on specific circumstances. You must pay for the expenses of attending training, such as lodging, meals, transportation and wages of trainees.

FOOTNOTES CONTINUED:

- (8) In Our sole discretion, We may provide employees (up to two) for such period of time as we deem appropriate (currently at least 7 days) to conduct on-site training before and during the opening of Your Restaurant.
- (9) Such fees will vary based on circumstances and may include reimbursement for legal or accounting fees that occur as a result of any breach of the Franchise Agreement.
- (10) Payable to Us for successor franchise. These Fees may not be uniformly imposed at all times.
- (11) In addition to any additional fees found due as a result of an audit of Your financial records, You must pay Us Our audit cost if You have understated Gross Revenues by more than 2% of the actual Gross Revenues found by the audit. The cost of an audit varies widely depending on how well the books and records are kept, but We estimate the cost of an audit to be between \$1,000 and \$5,000.
- (12) You must indemnify Us for claims relating to Your operation of the Restaurant.
- (13) If the Franchise Agreement is terminated due to Your default, You must pay Us liquidated damages equal to the average monthly Royalty Fees owed or paid during the 12 full calendar months of operation preceding the effective date of termination multiplied by (A) 24 (being the number of months in two (2) full years), or (B) the number of months remaining in the Agreement had it not been terminated, whichever is less.
- (14) You may not hire any person employed by Us, an affiliate or another JIMBOY'S franchisee without Our prior written consent. If You fail to obtain the written consent, You agree to pay the prior employer of such person liquidated damages equal to the greater of the prior annual salary or one-half of the annual salary and of any bonus paid or to be paid by You to such person during the first year of employment. (Franchise Agreement, Section 4.10)

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ITEM 7. ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	Low	High			
Initial Franchise Fee (1)	\$35,000	\$35,000	Lump sum	In Full on signing the Franchise Agreement	Us
Leasehold Improvements (2)	\$160,000	\$950,000	Varies	Prior to Opening Restaurant	Approved Suppliers
Fixtures, Furniture, Equipment & Supplies (3)	\$85,000	\$110,000	Varies	Varies	Approved Suppliers
Signs (4)	\$10,000	\$40,000	Varies	Prior to Opening	Approved Suppliers
POS & Digital Menu (5)	\$7,500	\$40,000	Varies	Prior to Opening	Approved Suppliers
Smallwares (6)	\$9,000	\$10,000	Varies	Prior to Opening	Approved Suppliers
Initial Inventory (7)	\$8,000	\$12,000	Varies	Prior to Opening	Approved Suppliers
Office Equipment and Supplies (8)	\$500	\$1,000	Varies	Prior to Opening	Approved Suppliers
Grand Opening Event (9)	\$15,000	\$20,000	Varies	Prior and at Opening	Media companies
Insurance (10)	\$11,000	\$22,000	First year premium	Prior to Opening	Insurance companies
Lease Deposits (11)	\$4,000	\$20,000	Lump sum	Signing of Lease	Landlord
Professional Fees (12)	\$3,000	\$8,000	Varies	As Incurred	Accountants, lawyers, etc.
Licenses & Bonds (13)	\$1,500	\$10,000	Lump sum on application	Prior to Opening	Government agencies and bonding companies
TOTAL (12)	\$375,000	\$1,379,000	Excluding real estate costs		

The above are estimates based on Our experience with franchisee and company Restaurants, but Your costs will depend to a great extent on Your geographical area, Your decision on each issue, and the extent to which You follow the JIMBOY'S System standards. We do not require You to purchase real estate, and the total estimated initial investment does not include the acquisition of real estate (See Footnotes 2 and 11 below). Unless otherwise stated, We do not expect that any of the estimated investment amounts are refundable.

- (1) You must pay the Initial Franchise Fee when You sign the Franchise Agreement and prior to opening Your Restaurant. It is not refundable for any reason.
- (2) Typically, JIMBOY'S restaurants are located in retail strip centers, shopping plazas or at stand-alone locations. The cost of purchasing or leasing and developing a site for a JIMBOY'S franchise may vary considerably depending on such factors as geographic location, size, materials expense, subcontractor expense, tenant landlord improvement allowances, and the local real estate market. Depending on the floor plan, you will need a space between 800 to 2,500 square feet. You will pay all construction expenses, including the cost of all required site work, leasehold improvements, and permitting expenses. The high estimated amount is dependent on the extent of build out required. We will provide you with mandatory specifications and layouts for your JIMBOY'S franchise location, including requirements for dimensions, design, image, interior layout, decor, fixtures, color scheme and other suggestions. You must have prepared, all at your expense, all required construction plans and specifications to suit the shape and dimensions of the franchise location and must ensure that the plans and specifications comply with all applicable federal, state or local laws, codes, regulations, ordinances, building codes and permit requirements and with lease requirements and restrictions.
- (3) This is an estimate of the cost of leasing or purchasing required restaurant equipment, fixtures, furniture, and supplies.
- (4) This is an estimate of the cost of obtaining required interior and exterior signage at the franchise location, including the required types and amounts of signs that we specify.
- (5) This is an estimate of the cost of leasing or purchasing the required point-of-sale system, and other related technology.
- (6) Smallwares include includes small kitchen appliances, kitchen utensils, silverware, glassware, and tableware.
- (7) This is an estimate of the cost of 2 weeks of initial food, beverage and paper inventory.

FOOTNOTES CONTINUED NEXT PAGE

- (8) This is an estimate of the cost of obtaining necessary office equipment and supplies, including office furniture.
- (9) You and We will agree on a specific grand promotional program for Your new Restaurant. The cost of this mandatory promotional program will range from \$15,000 to \$20,000. Restaurants being opened in a new trade area may require more initial spending than where Our brand is already known.
- (10) You should have funds for one year's estimated insurance premiums. The cost of insurance varies depending on many factors. You should contact Your insurance agent and obtain an estimate of Your actual insurance costs.
- (11) These estimates are the initial lease costs and based on the assumption that You will lease Your Restaurant. A typical Restaurant contains approximately 1,800 to 2,500 square feet of indoor space for an end cap unit. A lease normally requires payment of the first month's rent and a deposit equal to a second month's rent. The levels of rent vary widely from area to area and for different locations within the same area. A location within a mall or large shopping Restaurant may be smaller but require higher rent. You should investigate all these costs in the area where You wish to establish Your Restaurant.
- (12) Professional fees include any amounts You spend for accounting or legal services in establishing the Restaurant.
- (13) The low estimated amount is for a typical business license while the high estimated amount is if You obtain a beer/wine license.
- (14) Our initial training program is 5 to 6 weeks. You and/or Your Operator Principal, and 2 other people may attend the initial training program. You must pay all travel, accommodation, and living expenses for any individuals that attend the initial training program.
- (15) This estimate includes working capital for the first 3 months of operating the Restaurant. These figures are estimates based upon our experience in opening and operating Our Company owned locations, and We cannot assure you that You will not have additional expenses in starting Your Restaurant. Your costs will depend on factors such as how much You follow the System and its procedures, the local market for Restaurant products, the prevailing wage rate, competition, and the sales level reached during the initial period.
- (16) This is Our estimate of the total expenses to start Your Restaurant. Except as otherwise noted, none of these payments are refundable. We will not finance any of these payments. The above are all estimates based on Our experience with the Company Restaurants. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Each Restaurant must be constructed or remodeled to Our specifications. You must obtain Our written approval of any proposed alterations to Our specifications before any work is begun. You must equip and supply Your Restaurant from suppliers previously approved by Us ("**Approved Suppliers**").

You must purchase Our proprietary food products and items bearing our Marks which We or designated suppliers will sell to You at a reasonable markup. You are not obligated to purchase anything else from Us or an affiliate, but You will be obligated to make 100% of Your purchases from Approved Suppliers. We may terminate Your franchise if You purchase goods or services that are not according to Our specifications or that are not from Our Approved Suppliers.

To ensure that the highest degree of quality and service is maintained, You must operate Your Restaurant in strict conformity with the methods, standards and specifications that We prescribe in the Manual or otherwise in writing. We may modify or add new specifications in writing. Currently, We require You to use a Aloha® point-of-sale system and a Menu-Cast digital menu system in compliance with Our specifications. Our designated architect for Your first Restaurant is Kobra Design.

You may be required to purchase from Us in the future software, Internet, and multi-area marketing programs, and to participate in these programs. There are no such requirements at this time, and We estimate based on present circumstances, that these required purchases will be less than one percent of Your purchases and leases. During the last fiscal year, neither We nor any affiliate received any revenues as a result of franchisee purchases.

We and Our affiliates reserve the right to receive rebates or other consideration from suppliers based on Franchisee purchases. Most of these payments are calculated on an amount based on products sold. During the last fiscal year, We received rebates from suppliers in the amount of \$313,187 which was 11.6% of Our total revenues of \$2,689,717. Currently, rebates received from Our beverage suppliers are contributed to the Brand Fund, and all other rebates are used to benefit the System.

We may negotiate purchase arrangements with suppliers, including price and terms, for the benefit of franchisees and the Restaurants operated by an affiliate. You must use some supplies that are proprietary to Us, including copyrighted forms and materials bearing Our Marks. We will specify Approved Suppliers and the products and services that are required to be purchased or leased in the Manual. The list of required items will be changed to meet current needs. Approved Suppliers are identified in Our Operations Manual. We may update our list of Approved Suppliers as We deem necessary or appropriate

Approved Suppliers and specifications are determined based on the current needs for operating the Restaurant. We evaluate Approved Suppliers based on price, service, quality, and other commercially reasonable benchmarks. We have the right to limit the number of vendors and suppliers for products, goods, supplies, fixtures and equipment. We also have the right to designate a single source of supply for certain products. We or an affiliate may be that single source.

We will approve additional suppliers. If you want to purchase items from another supplier, you may request Our "Supplier Approval Form" and pay Our Supplier Approval Fee (currently \$1,000). Based on the information and samples you supply Us, We may test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information. We are not required to make available to You or any supplier Our criteria for product or supplier approval. We will complete Our review promptly, generally within 90 days.

We do not have any purchasing or distribution cooperatives. Other than Our affiliates, none of Our officers own an interest in an Approved Supplier.

Insurance:

The Franchise Agreement requires You to obtain insurance from Qualified Insurance Carriers satisfactory to Us. Each insurance company must be rated no less than A VII by A.M. Best and Company. The insurance You must obtain includes coverage during the construction of Your Restaurant and its operation. We must be named as an additional insured on each policy except workers compensation insurance. The required insurance policies must have at least the minimum coverage specified in the Franchise Agreement. Your obligation to maintain this insurance will not be limited in any way by reason of any insurance We carry for Ourselves. The cost of insurance coverage will vary depending on the insurance carrier's charges, the terms of payment and your insurance history. You must also carry the insurance required by Your landlord and applicable law.

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ITEM 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT (“FA”), AND THE AREA DEVELOPMENT AGREEMENT (“ADA”). IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Item in Disclosure Document
a. Site Selection and acquisition/lease	FA: §1.3 ADA: §§1.1, 4.2	Items 1, 11
b. Pre-opening purchases/leases	N/A	Items 7, 8, 11, 16
c. Site development and other pre-opening requirements	FA: §§4, 5 ADA: §§1, 2, 4	Items 1, 5, 7, 11, 12, 15
d. Initial and ongoing training	FA: §5 ADA: None	Items 1, 11, 17
e. Opening	FA: §7.8 ADA: §2	Items 5, 7, 11
f. Fees	FA: §§2, 3.2, 4.1, 4.8, 5.6, 11.5, 16.6 ADA: §§3, 4.3, 6.2(e)	Items 1, 5, 6, 7, 17, 19
g. Compliance with standards and policies/Manuals	FA: §4 ADA: §4.1	Items 1, 11
h. Trademarks and proprietary information	FA: §§4.5, 14 ADA: §4.4, 8.3	Items 13, 14
i. Restrictions on products & services offered	FA: §§4.4(a), 4.7, 4.8 ADA: None	Items 8, 16
j. Warranty and customer service requirements	FA: §§4.3 ADA: None	Item 1
k. Territorial development and sales quotas	FA: §§1.2 ADA: §§1.1, 2, 4	Items 1, 12

Obligation	Section in Agreement	Item in Disclosure Document
l. Ongoing product/service purchases	FA: §§4.6, 4.7, 4.8 ADA: None	Items 8, 16
m. Maintenance, appearance & remodeling requirements	FA: §§3.2, 4.3 4.4, 4.6, 6 ADA: None	Item 17
n. Insurance	FA: §11 ADA: None	Item 7
o. Advertising	FA: §7 ADA: None	Items 6, 7, 11
p. Indemnification	FA: §10.2 ADA: None	Item 13
q. Owner's participation/ management/staffing	FA: §§4.2, 4.9, 4.10, 9.4, 13.2 ADA: §§8.4, 8.5	Item 15
r. Records/ Reports	FA: §§8, 9.3, 9.4 ADA: None	Items 6, 11
s. Inspections/Audits	FA: §9 ADA: None	Item 17
t. Transfer	FA: §13 ADA: §§1.5	Items 6, 17
u. Renewal	FA: §3.2 ADA: §6	Items 6, 17
v. Post termination obligations	FA: §§4.9(f), 15 ADA: None	Item 17
w. Non-competition covenants	FA: §4.9 ADA: §8	Items 5, 17
x. Dispute resolution	FA: §§16.5, 16.7 ADA: §9	Item 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee Your note, lease or other obligation. There are no waiver of defenses or similar provisions in any note, contract or other instrument executed by franchisees with Us.

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

Except as listed below, We need not provide any assistance to You.

A. Pre-opening. Before You open Your Restaurant, We will:

1. Loan you a copy of Our confidential Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules, in written and/or electronic form (Franchise Agreement, Section 4.4).
2. Conduct an initial training program for You and Your Operating Principal (Franchise Agreement, Section 5.1).
3. Provide You with assistance in locating the site for Your Restaurant (Franchise Agreement, Section 1.3).
4. Review and comment certain provisions of Your proposed lease (Franchise Agreement, Sections 1.3 and 15.5).
5. Provide You with specifications and layouts for Your Restaurant (Franchise Agreement, Section 1.6).
6. Approve, if it meets Our standards and specifications for approval, plans submitted by You for the design of Your Restaurant. You are responsible for conforming premises to building codes and local ordinances. (Franchise Agreement, Section 1.6).
7. Assist You in developing a marketing program designed for Your Restaurant's initial opening (Franchise Agreement, Section 7.8).
8. Advise and assist You in opening Your Restaurant and be available to assist with its operations for as long as reasonably needed, in Our opinion (Franchise Agreement, Section 4.1).

B. Post-opening. During the operation of Your Restaurant, We will:

1. Make available additional training programs as We deem appropriate (Franchise Agreement, Section 5.5).
2. Develop and administer, at Our discretion, advertising and promotion programs designed to promote the collective success of all Restaurants (Franchise Agreement, Section 7.3).
3. Administer the System Brand Fund ("**Brand Fund**") (Franchise Agreement, Sections 7.3 and 7.4).
4. Deposit Brand Fund Fees received into a separate account (Franchise Agreement, Sections 7.3).
5. Advise and assist You with operating Your Restaurant, including periodic calls or visits by Our representatives (Franchise Agreement, Section 9.2).
6. Include information about your Restaurant on our Web site (Franchise Agreement, Section 7.8)

C. Site Selection.

You must select a site that meets Our approval. We will help You select a site for Your Restaurant. Within three (3) months after execution of the Franchise Agreement, You should have located and obtained Our approval for the site of Your Restaurant. If You have not done so, We will grant You additional 90 day extensions so long as We are satisfied that you are proceeding in good faith and with due diligence. You must use Our approved form to request each ninety-day extension. After the extensions, We may terminate the Agreement with no refunds if You have not obtained an approved site

We will consider, as part of site approval, a number of factors such as potential customer density levels, assessment of a demographic study of the customer mix compared to existing profiles already established by Us, assessment of competitor activity, revenue generators, traffic patterns of the area, as well as specific size, parking, and other physical characteristics of the proposed site itself. We will use reasonable efforts to make a site acceptance decision within 30 days after We acknowledge receipt of a complete site information form and any other materials we have requested Our approval means that the site and plans meet minimum specifications, and is not a warranty of their appropriateness. We do not generally own the premises and lease it to franchisees.

D. Time Before Opening.

We believe that based upon Our experience, You should typically open a Restaurant within six to ten months after executing the Franchise Agreement. This length of time may be affected by factors such as difficulties in obtaining a lease for an acceptable premise, financing arrangements, building or sign permits, or delays caused by zoning or local ordinances, weather conditions, labor strikes, shortages of products and installation of equipment, fixtures and signs. Failure to open within the specified time period is a breach of the Franchise Agreement and Your Franchise Agreement can be terminated. (Franchise Agreement Section 1.4)

You are responsible for conforming the premises to building codes and local ordinances. You must adhere to Our standards and specifications for the construction and design of the Restaurant, which will include requirements for the interior and exterior layout, signage, equipment, fixtures and trade dress as designated in the Manual. You must obtain Our prior written approval of site-specific drawings/plans before beginning construction. You may not open Your Restaurant without Our prior written consent and satisfaction of all pre-opening obligations stated in the Manual and the installation of all equipment, fixtures, furnishings and signs included in the plans and specifications approved by Us. You will be solely responsible for all hiring and employment decisions and functions relating to Your Restaurant.

E. Advertising.

We will develop marketing, promotion and advertising programs designed to promote JIMBOY'S businesses. Your participation in all such advertising and sales promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

We will provide access to advertising and marketing materials and services to You. We currently conduct marketing at a trade area level to encourage visits from potential, as well as prior, customers. We may also use premium incentives and product awareness campaigns in advertising and promotion. Advertising media may include print, Internet, vehicle wraps, fundraisers, social networking sites, public relations campaigns and radio or television (primarily local in scope). Whenever possible, the material is produced in-house or provided by vendors.

You may develop advertising materials for Your own use at Your own cost. All advertising materials must have been approved by Us in advance and in writing. Approval takes between 30 and 60 days. All of Your advertising, promotion and marketing must be completely clear and factual, not misleading, and conform to the highest standards of ethical marketing and promotion policies and comply with all truth in advertising laws. You must submit to Us samples of all advertising, promotional and marketing materials (including Internet or electronic media marketing material) for Our prior written approval. You must only use advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise.

There are no restrictions on Your advertising, except that You may not advertise independently on the Internet, including any social networking sites, or outside Your territory, and that Your advertising must be approved by Us, as stated above. You may not register any domain name or establish or maintain any website, social media site or otherwise maintain a presence or advertise on the internet or any other public computer network in connection with the unless We provide Our prior written approval. If such approval is granted by Us, You shall establish and operate such World Wide Web or Internet site in accordance with Our standards and policies as set forth in the Manual or otherwise in writing from time to time. You must adhere to the social media policies that We establish from time to time and must require Your employees to do so as well. You must participate in Our “eclub” marketing campaigns, Gift Card program, Loyal Customer program and similar marketing programs as they are developed.

Grand Opening. You must conduct a pre-approved grand opening promotion for Your Restaurant. The cost of this mandatory promotional program will range from \$15,000 to \$20,000. Restaurants being opened in a new trade area may require more initial spending than where Our brand is already known. We will assist You in planning Your grand opening.

Local Advertising. You must spend 2% of Your Restaurant’s Gross Sales monthly for pre-approved local advertising and promotion of Your Restaurant in its trade area. You must submit confirmation of Your Local Advertising following the procedures and timing requirements designated in the Manual.

If an Advertising Cooperative (“**Ad Co-op**”) is established for the area where Your Restaurant is located, You must join, actively participate in and contribute to the Ad Co-op. Contributions to the Ad Co-op will be applied toward Your Local Marketing Commitment. Each Ad Co-op will be organized and governed in a form and manner and will operate according to written governing documents, all of which must be approved in advance by Us. The Ad Co-op may also serve as a means of exchanging ideas, sharing information and problem solving.

The Franchise Agreement gives Us the power to require Ad Co-ops to be formed, changed, dissolved or merged. You must contribute to the Ad Co-op up to 2% or more of Your Restaurant’s Gross Revenues, which is in addition to your contributions to the system wide Brand Fund discussed below. The Ad Co-op members may agree to additional funding in accordance with its established Bylaws.

We will oversee each Ad Co-op. If You are in default of the Franchise Agreement, You will not have voting privileges. The Ad Co-op may prepare annual or periodic financial statements, and these will be available to You upon request. We have the right to form, change, dissolve, and merge any Ad Co-op and to create and amend any organization and governing documents of any Ad Co-op in our sole business judgment.

Brand Fund. You must contribute 3% of Your Restaurant's Gross Revenues to the Brand Fund. We will administer the Brand Fund and spend Brand Fund Fees only for the purposes described in the Franchise Agreement and follow the procedures contained in the Brand Fund Policy described in the Manual.

The Brand Fund will be used to develop, produce and administer marketing programs designed to increase sales for all Restaurants system wide. Advertising may be in the form of print ads, radio, television or electronic media and may be conducted on a regional and/or national basis. We may use a national or regional advertising agency or in-house advertising to create and place advertising. All interest earned on monies contributed to the Brand Fund will be used for the same purpose. Brand Fund contributions will not be targeted to advertise or sell franchises.

The purpose of the Brand Fund is to develop advertising and marketing programs that will benefit all Restaurants wherever located. We cannot ensure that the Brand Fund's expenditures will be equally beneficial or proportionate to each Restaurant's contributions.

We will account for monies in the Brand Funds separately from Our other amounts received. Money from the Brand Fund may be used to pay Us for the reasonable salaries, administrative costs, maintaining and updating Our website, marketing surveys, travel expenses and overhead incurred by Us in the administration of that Fund and its programs. We will prepare an annual unaudited statement of monies collected and expenditures of the Funds and provide it to You upon Your written request. Restaurants operated by Our Affiliates will contribute to the Brand Funds at the same rate as Franchisees.

F. Computers; Computer Programs.

Your Restaurant must have a point of sale ("**POS**") and computer system as specified in the Manual, which will operate Our currently approved software and allow You to participate in the Network. Your Restaurant must also have one or more modems, fax machines, polling systems, digital menu boards, computerized safe systems and a telephone answering machine capable of voice mail recovery. We may require you to upgrade or update Your equipment, such as the computers, other hardware, programs, fax machine and telephone system, with reasonable limitation on the frequency or cost of this requirement. You are responsible for installing a broadband hook-up and other utilities for the Restaurant.

We use ALOHA point-of-sale ("POS") software and hardware system from NCR Corporation, in the operation of Your Restaurant. The POS software may be used for point-of sale, dine-in and carry-out functions, customer database, labor time and attendance tracking and scheduling, inventory control, food cost, accounting reporting, and credit card authorization. The POS hardware may consist of terminals with touch screen monitors for each workstation and remote printers to the file server computer. Currently, the POS software and hardware are not proprietary.

The current hosted services license fee is \$730 to \$800 per month depending on the options selected and PCI compliance of Your systems. These amounts may be adjusted up to 10% annually to account for inflation and product enhancements. There is also a hosted service installation fee in the amount of \$2,750 to \$3,000 depending on the selected options. The annual tech support cost is estimated at \$1,000 to \$1,100.

We will have independent access to the information that will be generated or stored in any electronic cash register or computer system, such as financial and marketing information. There are no contractual limitations on Our right to access this information. If We establish an online management and communication system for Restaurant Operations, You must participate fully with its requirements as stated in the Manual.

Currently, We use Menu-Cast for the digital menu systems in the operation of Your Restaurant. The estimated cost is for the menu system is \$2,400 depending on the currently available discounts and the size of the Restaurant.

All of the designated equipment and software is available generally at competitive prices. The purchase cost is estimated at \$25,000 to \$40,000. Your annual maintenance costs are estimated at \$2,500 to \$4,000. None of the above are proprietary properties of Us or our affiliates, and We are not obligated to provide or assist You in obtaining the above items or services.

G. Confidential Manual.

You may review Our Manual before purchasing a Franchise. You may not copy any of the information contained in the Manual, as it contains proprietary information. You must sign a confidentiality agreement regarding the Manual before Your review. (**Exhibit C**)

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H. Training. Our Initial Training Program consisted of the following content according to the following general outline:

TABLE OF SUBJECTS

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Administration - Business Philosophy and Vision - Financial Planning - Accounting - Payroll - Reporting - Regulatory Compliance	6	0	Folsom, CA
Facility Management - Maintenance - Health & Safety - Equipment - Physical Plant Maintenance - Appearance	2	8	Folsom, CA
Staff Management - Recruitment - Hiring - Training - Policies - Job Description - Scheduling	5	1	Folsom, CA
Restaurant Operations - Food Preparation - Inventory Management - Health and Safety	10	40	Folsom, CA
Marketing and Customer Service - Marketing - Customer Service - Community Relations	2	6	Folsom, CA

FOOTNOTES:

- (1) The Initial Training, which consists of both classroom and hands-on-training, must be successfully completed to Our satisfaction 45 days prior to the opening of Your Restaurant opens. Pre-opening training will consist of training at our training location, currently in Folsom, California. Initial training consists of 5 to 6 weeks of training. Any on-the-job training will be conducted at a designated Jimboy's Restaurant. We expect to conduct these training courses several times each year.

FOOTNOTES:

- (2) You and/or Your Operating Principal must attend and successfully complete Our Initial Training. We may terminate the Franchise Agreement for failure to successfully complete this training course.
- (3) We provide this Initial Training at no additional charge to You and/or Your Operating Principal. All of Your Managers must either attend and successfully complete Our training or otherwise become certified as required by the Manual. You will be responsible for paying all of Your personnel's travel, lodging and food costs.
- (4) Our principal trainers have experience in Restaurant operations with Us or with other food systems. Todd Swiderski has been in the restaurant industry for twenty-five years, working full-service concepts such as Chicago Fire Pizza, Romano's Macaroni Grill and Chevy's Fresh Mex.
- (5) The materials used in Our Initial Training are the Manual and other materials such as various videos, demonstrations and checklists. We may modify Our training programs at any time. We may develop audio-visual and other training materials at a reasonable charge.
- (6) The actual hours will depend on a variety of factors, including the trainee's prior experience and his or her ability to pass any written and/or practical exams to Our reasonable satisfaction.
- (7) As We deem necessary, We may provide employees (up to 2) for such a period of time (currently 7 days) to conduct on-site training before and during the opening of Your Restaurant. We may charge Our then-current per diem per employee (Currently \$350 per day), plus reasonable travel-related expenses for such on-site training and assistance.
- (8) As We deem necessary, We may require that You and Your personnel attend additional training courses or programs covering operations and new product or procedure introductions. We may require You to pay a reasonable fee for the additional training. Currently, Our training fee is \$500 per day. You must pay for all travel, lodging and food costs for You and Your personnel. We expect that additional training will be conducted at one Our Company Restaurants and will be one or two days in duration and cover changes in Restaurant products and procedures. Under normal circumstances, the additional training will not occur more than once a year.

ITEM 12. TERRITORY

You must operate Your Restaurant at a specific location selected by You and approved by Us. You will have the right and obligation to operate and maintain Your Restaurant within a designated geographic area as described in this Item 12 (Your **"Territory"**). You will not receive an exclusive territory and You may face competition from other franchisees, from outlets that We own, or from other channels of distribution or competitive brands that We control.

We agree that unless Your Restaurant is in a "high density area" (as defined below), We will not establish another JIMBOY'S Restaurant within two (2) miles of Your Restaurant's front door, except for one or more "Non-Traditional Venue" Restaurants.

We have the discretion to determine what is to be considered a "high density area", which will typically be an area with a high degree of pedestrian traffic, such as a downtown portion of an urban area with high rise commercial buildings, or a densely populated residential area with primarily multi-family or apartment units, in which event You and We will agree on the area, if any, in which You will have the above territorial protection.

"Non-Traditional Venue" means a site or location for which the lessor, owner or operator thereof shall have indicated its intent to limit the operation of its food service facilities to itself or a master concessionaire or contract food service provider, and which site or location is either (i) within another primary business or (ii) at an institutional setting such as a school, college and university, military and other governmental facility, hospital, hotel, limited access highway, shopping mall, airport, toll road, office or in-plant food facility, sports arena and stadium, supermarket, grocery store or convenience store.

We have the sole and exclusive right to produce, license, distribute and market products using the Marks or other marks (such as pre-packaged products, beverages, books, clothing, souvenirs and novelty items) through any outlet anywhere, and through any distribution channels including the Internet. We reserve the right to use or license others to use Our name and other trademarks to distribute pre-packaged products. You will not receive any of these rights. We are not required to pay You for soliciting or accepting orders from inside Your territory.

The Franchise Agreement does not restrict Us from operating or authorizing others to operate other franchises or Company-owned Restaurants or other channels of distribution, at any location, from selling or leasing similar products or services under a name other than JIMBOY'S. We do not currently intend to do so. We reserve all rights not expressly granted in the Franchise Agreement.

The Franchise Agreement will not grant You any options, rights of first refusal or similar rights to acquire additional franchises within Your Territory or contiguous areas. There is no minimum sales quota. You maintain rights to Your exclusive territory even though the population increases. Your territorial rights are not dependent upon achievement of a certain sales volume, market penetration or any other contingency, and it will not be altered except by mutual consent.

You must receive Our prior written approval before relocating the Restaurant. Any request to relocate Your Restaurant will be either approved or denied within 90 days of Our receipt of all relevant information. We may approve the relocation of Your Restaurant in certain limited circumstances, such as loss of the location due to condemnation, eminent domain destruction, or loss of Your right of possession for reasons not caused by You.

Area Development Agreement.

During the term of an Area Development Agreement (“**ADA**”), We will not license or allow any other party to open a JIMBOY’S business within Your designated Territory (except for one or more “**Non-traditional Venue**” Restaurants (defined above) or pursuant to the first refusal rights contained in Your Franchise Agreement.

If You materially breach the ADA and it is terminated, We will have full rights to franchise other parties to operate Restaurants within what was Your Territory, or to operate Restaurants Ourselves within that Territory.

If before the end of the term You have opened all of the Restaurants required by the ADA and We decide that one or more additional Restaurants should be developed within Your Territory, You will have the right of first refusal for the additional Restaurant(s).

If We acquire any other Restaurants with the intention of converting them to Restaurants using Our Marks, You will have a right of first refusal to purchase and convert any of those Restaurants within Your Territory.

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ITEM 13. TRADEMARKS

You will receive the right to operate a Restaurant under the name JIMBOY'S. You may also use other current or future Marks as We designate to operate Your Restaurant. By Marks, We mean trade names, trademarks, service marks and logos used to identify and operate Your business. The following Marks have been registered on the United States Patent and Trademark Office ("USPTO") Principal Register:

<u>Mark</u>	<u>Date</u>	<u>Reg. Number</u>
JIMBOY'S (Design)	May 27, 1997	2064929
JIMBOY'S (Word)	May 22, 1990	1597887

You must follow Our rules when You use any of the Marks. All required affidavits have been filed. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques, except as We license to You or otherwise authorize in writing. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time.

No agreements limit Our right to use or franchise the use of the Marks. We do not know of any infringing uses that could materially affect Your use of the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks.

You must notify Us immediately after learning about an infringement of or challenge to your use of the Marks. We will take the action We think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements.

We will defend You and indemnify You if You are a party to a legal proceeding involving a Mark licensed by Us, used properly by You, and timely informed Us of the proceeding. You must modify or discontinue the use of a trademark if We modify or discontinue it. We have the right to modify, add to, or discontinue use of the Marks, or to substitute different Marks. You must promptly comply with any required changes, revisions and/or substitutions, and You will pay all the costs of modifying Your signs, advertising materials, interior graphics and any other items which bear the Marks. You must not contest Our right to the Marks, trade secrets or business techniques.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but You can use the proprietary information in the Manual, training materials, including DVD and CD diskettes, electronic emails and confidential information. Although We have not made a copyright filing for the Manual, training materials, advertising materials and other written materials, We claim a copyright, and the information is proprietary and confidential and they may only be used as provided in the Franchise Agreement. The Manual will remain Our sole property. You must keep the materials in a secure place on the Restaurant premises.

You or Operating Principal may divulge confidential information only to those employees who must have access to it to operate Restaurant. The Manual may not be copied, recorded or otherwise reproduced without Our prior written consent. You agree to keep and respect all confidential information received from Us, and obtain from the Designated Operator, each of Your Restaurant's managers, and other employees an agreement to keep and respect all such confidences. A copy of the employee confidentiality agreement is attached as **Attachment 4 in the Franchise Agreement**.

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

You or Your Operating Principal, who has successfully completed Our training program, must directly supervise and participate in the actual day-to-day operation of the Your Restaurant.

Your Restaurant must at all times have an on-site manager approved by Us and certified as designated in the Manual. You must take steps necessary to ensure that Your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and are properly trained. You and Your employees must handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from Our name and goodwill. You will be solely responsible for all employment decisions and functions of the franchised location, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees.

If You are a legal entity such as a corporation, partnership or limited liability company, one of Your owners must be approved by Us to be Your full-time representative. All of Your owner(s) must personally guarantee the Franchise Agreement and, if applicable, the Area Development Agreement. We have the right to approve all owners and any future owners. If You are a legal entity, Your Operating Principal must own at least a 10% equity interest in such entity. Neither You nor Your Operating Principal may have an interest or business relationship with any of Our business competitors. The ADA requires You to designate an **"Authorized Principal"** who will have full authority to act on Your behalf in performing, administering or amending the ADA.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those services and products that We have approved (see ITEM 8). You must offer all products and services that We designate as required for all franchisees. These required products and services are described in the Manual. You must obtain Our prior written approval for any other products and services to be sold by Your Restaurant. If We implement customer satisfaction programs for all franchisees, You must participate fully with their requirements as stated in the Manual.

We may change the types of authorized products and services that you must offer from Your Restaurant. There are no limits on Our right to make such changes. If You propose an additional product or service, You must submit it to Us for approval before offering it in Your Restaurant. We may approve it initially for testing only. All proposals approved by Us will become Our property.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section	Summary
a. Initial Term	FA: §3.1	Initial term of Franchise is 10 years.
b. Renewal or extension of the term.	FA: §3.2	You may renew the franchise for two additional 5-year terms if certain conditions are met. “Renewal” may require You to sign a contract with materially different terms and conditions than Your original contract.
c. Requirements for renewal or extension.	FA: §3.2	6-12 months’ notice, no defaults during last 12 months, material and timely compliance with Franchise and other agreements during initial term, satisfied all monetary obligations owed to Us and Your suppliers, completed all required additional training, made all requested changes in operating personnel, modernized the Restaurant and other equipment, payment of renewal fee, and signing of new Franchise Agreement which may have materially different terms and conditions than Your original Agreement and execution of a general release.

Provision	Section	Summary
d. Termination by Franchisee.	FA: §15.2	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by Us without cause	None	
f. Termination by Us with cause.	FA: §15.1	We can terminate only if You default.
g. "Cause" defined as defaults which can be cured.	FA: §15.1	You have 30 days after notice to cure defaults (except defaults in payment to Us, in which case You only have 5 days to cure after notice). Includes defaults in other Franchise Agreements with Us. No cure period for default repeated twice within any twelve-month period.
h. "Cause" defined as defaults which cannot be cured.	FA: §15.1	Non-curable defaults: Failure to open in a specified time period, failure to complete training or allow inspection, bankruptcy or similar action, loss of possession, material misrepresentation in obtaining franchise, violation of health and safety laws, conviction of crime involving moral turpitude, failure to obtain consent to transfer rights or failure to offer first right of refusal.
i. Obligations on termination.	FA: §15.3	Immediate obligations include no more use of telephone numbers, trademarks or proprietary information; remove all Marks; return Our manuals and all other confidential materials; pay all amounts due to Us; and de-identify the Restaurant.
j. Assignment of contract by Us.	FA: §13.8	No restriction on Our right to assign.
k. "Transfer" by You-definition	FA: §13.5	Includes transfer of rights under Franchise Agreement and ownership change.
l. Our approval of transfer by franchisee.	FA: §13.3	We have the right to approve all third-party transfers but will not unreasonably withhold approval.
m. Conditions for Our approval of transfer.	FA: §§13.4, 13.5, 13.6	No default, assets of the Restaurant in standard condition, payment of all amounts owed to Us and Affiliates, payment of transfer fee, transferee qualifies and passes training, current Franchise Agreement signed by transferee, and release and non-competition agreement signed by You.

Provision	Section	Summary
n. Our right of first refusal to acquire your business.	FA: §13.7	We can match any offer for the franchised business.
o. Our option to purchase your business	None	
p. Your death or disability.	FA: §13.6	Approval by Us of heir or sale within six months to an approved buyer.
q. Non-competition covenants during the term of the franchise.	FA: §4.9	No interest in a Restaurant or similar business offering the same or similar services to those sold in a JIMBOY'S business (" Similar Business ").
r. Non-competition covenants after the franchise is terminated, transferred or expires.	FA: §4.9	No interest in any Similar Business for 2 years within 10 miles of any Restaurant in U.S. or Canada.
s. Modification of the agreement.	FA: §16.12	Only written and signed modifications, but Manual subject to change.
t. Integration/ merger clause.	FA: §16.11	The agreement between the parties is limited to the agreement and other documents referred to therein. Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation.	FA: §16.5	Except for certain claims, all disputes must be arbitrated in county where Our headquarters are located (" Home County "), currently Sacramento County, California.
v. Choice of forum	FA: §16.5	Except for injunctions, any arbitration or litigation must be in Home County. This provision may be subject to applicable state law
w. Choice of Law.	FA: §16.7	Law of the State of Nevada. This provision may be subject to applicable state law

This table lists important provisions of the Area Development Agreement (“ADA”). You should read these provisions in the ADA attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section	Summary
a. Initial Term	ADA: §6	Initial term is mutually agreed between You and Us.
b. Renewal or extension of the term.	ADA: §6	You may renew for one additional 5-year term if certain conditions are met.
c. Requirements for renewal or extension.	ADA: §6	
d. Termination by Franchisee.	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by Us without cause	None	
f. Termination by Us with cause.	ADA: §7	We can terminate only if You default or fail to meet the Development Schedule or if You are in default under any Franchise Agreement with Us and fail to cure such defaults. The termination of the ADA will have no effect on any franchises previously issued to You.
g. "Cause" defined as defaults which can be cured.	ADA: §7	You have 30 days after notice to cure defaults. Such cause includes defaults in other Franchise Agreements with Us.
h. "Cause" defined as defaults which cannot be cured.	ADA: §7.2	Non-curable defaults: Failure to meet deadlines in Development Schedule.
i. Obligations on termination.	None	No further rights or obligations.
j. Assignment of contract by Us.		
k. "Transfer" by You-definition	None	
l. Our approval of transfer by franchisee.	ADA: §1.5	No transfers allowed.
m. Conditions for Our approval of transfer.	None	

Provision	Section	Summary
n. Our right of first refusal to acquire your business.	None	
o. Our option to purchase your business	None	
p. Your death or disability.	None	
q. Non-competition covenants during the term of the franchise.	ADA: §8.3	No Competitive Interest in a Restaurant similar to or competitive with a JIMBOY'S business.
r. Non-competition covenants after the franchise is terminated, transferred or expires.	None	
s. Modification of the agreement.	ADA: §9.1	Only written and signed modifications.
t. Integration/ merger clause.	ADA: §9.1	The agreement between the parties is limited to the agreement and other documents referred to therein. Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable. This provision is subject to applicable state law.
u. Dispute resolution by arbitration or mediation.	ADA: §9.1	Except for certain claims, all disputes must be arbitrated in county where Our headquarters are located (" Home County "), currently Sacramento County, California.
v. Choice of forum	ADA: §9.1	Except for injunctions, any arbitration or litigation must be in Home County. This provision may be subject to applicable state law
w. Choice of Law.	ADA: §9	Nevada law except for conflict of laws issues. This provision may be subject to applicable state law

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote Our franchises, but We may do so in the future.

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 Restaurants 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 Restaurant 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of a company-owned or franchised Restaurants. 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 Restaurant, We may provide You with the actual records of that Restaurant. 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 Our CFO at (916) 934-5100, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20: RESTAURANTS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM WIDE RESTAURANTS SUMMARY
For Fiscal Years 2018 to 2020

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	2018	35	40	+5
	2019	40	42	+2
	2020	42	39	-3
Company-Owned	2018	3	2	-1
	2019	2	2	0
	2020	2	2	0
Total Outlets	2018	38	42	+4
	2019	42	44	+2
	2020	44	41	-3

Table No. 2
TRANSFERS OF RESTAURANTS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
For Fiscal Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2018	1
	2019	0
	2020	0
Total	2018	1
	2019	0
	2020	0

Table No. 3
STATUS OF FRANCHISED RESTAURANTS
For Fiscal Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
California	2018	30	4	0	0	0	0	34
	2019	34	3	0	0	1	0	36
	2020	36	0	3	0	0	0	33
Nevada	2018	5	1	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Total	2018	35	5	0	0	0	0	40
	2019	40	3	0	0	1	0	42
	2020	42	0	3	0	0	0	39

Table No. 4
STATUS OF COMPANY RESTAURANTS
For Fiscal Years 2018 to 2020-2018

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
California	2018	3	0	0	0	1	2
	2019	2	0	1	1	0	2
	2020	2	0	0	0	0	2
Total	2018	3	0	0	0	1	2
	2019	2	0	1	1	0	2
	2020	2	0	0	0	0	2

The Willowrock Group LLC operates these locations.

Table No. 5
PROJECTED OPENINGS
AS OF MARCH 31, 2020

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Current Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
California	0	0	0
Texas	0	1	0
Total	0	1	0

The names, addresses and telephone numbers of Our franchisees as of March 31, 2020 are listed in **Exhibit F**. The name, last known address and telephone number of every franchisee within the most recently completed calendar year who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has not communicated with Us within 10 weeks of the date of this Disclosure Document, are listed in **Exhibit F**.

During the last three fiscal years, We have signed no settlement agreements containing confidentiality clauses with current or former franchisees. You should be aware that We are required by law to disclose Your contact information to other franchise purchasers if You become a franchisee or leave Our franchise system.

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements dated March 31, 2020, March 31, 2019, and March 31, 2018 are attached as **Exhibit G**.

ITEM 22. CONTRACTS

Copies of the following agreements are attached:

- A. Franchise Agreement with Exhibits
- B. Area Development Agreement
- C. Confidentiality Agreement

ITEM 23. RECEIPTS

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

It is important that you sign, date and return a Receipt to Us. As noted on the cover page, this Disclosure Document is available in electronic format, in which case You must print a copy of the Receipt and send a signed and dated copy to Us. Thank you.

The name, principal business address and telephone number of each franchise seller offering the franchise are identified on the Receipts.

Exhibit

A



FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

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JIMBOY'S ® FRANCHISE AGREEMENT

THIS AGREEMENT is dated as of _____ 202__ ("Effective Date") is between Jimboy's North America, LLC, a Nevada limited liability company ("**We**", "**Us**" or "**Our**"), and _____ ("**You**" or "**Your**"), and if You are a legal entity, the Principals identified on the signature page of this Agreement ("**Principals**").

RECITALS:

A. We own the exclusive rights to offer and sell franchises for the operation of unique retail food and beverage Restaurants using the name and trademark JIMBOY'S and other trademarks (the "**Marks**") and following a system of operation ("**System**") to operate a chain of these Restaurants ("**Restaurants**") which was developed and used by Us, Our commonly owned companies (collectively, the "**Affiliates**") and others in the past.

B. You desire to purchase a JIMBOY'S franchise and own and operate a Restaurant, and We have approved You for a JIMBOY'S franchise.

THEREFORE, in consideration of the mutual promises contained in this Agreement, the parties hereby agree as follows:

ARTICLE 1: GRANT OF FRANCHISE

1.1 Grant

Subject to the following terms and conditions, We grant to You a franchise to use the System and the Marks solely in direct connection with the sale of products and services from a JIMBOY'S Restaurant to be operated by You at the following location (referred to in this Agreement as "**Your Restaurant**"):

Address: _____

JIMBOY'S Restaurant No. _____

1.2 Territorial Rights

(a) We agree that unless Your Restaurant is in a “**high density area**” (as defined below), We will not operate and will not authorize any other person to operate a JIMBOY’S Restaurant within two (2) miles from the current front door of Your Restaurant except one or more “**Non-traditional Venue**” restaurants defined in subsection (iii) below. If We determine that Your Restaurant is located within a “high density area”, the above territorial rights will be stated on an attachment to this Agreement. Except for the foregoing, You and We agree that this franchise is non-exclusive and except for the address where Your Restaurant is located, We reserve all other rights, including the right, directly or indirectly:

(i) To operate, and authorize others to operate, JIMBOY’S Restaurants or other Restaurants operating under any name other than JIMBOY’S, at any location and of any type or category whatsoever;

(ii) To produce, license, distribute and market products using the Marks or other marks (such as pre-packaged sauces, spices and spice blends, soup broths, snacks and beverages; books; clothing, souvenirs and novelty items) through any outlet anywhere using the name JIMBOY’S or other Mark (which outlets may for example include grocery stores, supermarkets and convenience stores) and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods;

(iii) To operate, and to authorize others to operate, a JIMBOY’S Restaurant at a Non-Traditional Venue near Your Restaurant. “**Non-Traditional Venue**” means a site or location (i) within another primary business, or at (ii) any site or location for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider, (sites or location include without limitation: institutional settings (such as schools, colleges and universities, military and other governmental facilities, hospitals), hotels, limited access highways, shopping malls, airports, toll roads, office or in-plant facilities, sports arenas and stadiums, supermarkets, grocery stores or convenience stores, some of which may have other Restaurant operations such as food courts.

(b) A “**high density area**”, to be determined by Us in Our full discretion, is typically an area with a high degree of pedestrian traffic such as a downtown portion of an urban area with high-rise commercial buildings or a densely populated residential area with primarily multi-family or apartment units.

1.3 Site Selection, Lease, and Relocation

(a) You agree (i) that although We may have been involved in the site selection process for Your Restaurant and approved its location, You have sole responsibility for selecting the above location for Your Restaurant and (ii) that We make no warranty, representation or guaranty of any kind with respect to Your Restaurant's location, success or profitability. After approval of the site, You agree to purchase from Us a copy of Our plans and specifications for building out a Restaurant, and You agree to employ an architect, designer and other necessary persons to revise the plans as necessary for Your site. In any event, You must obtain Our prior approval of the final plans and specifications for Your Restaurant before beginning construction or remodel.

(b) If Your Restaurant premises are to be leased, You agree to provide Us for Our review and comment a copy of the proposed lease at least 30 days prior to its being finalized and executed. You must after execution furnish with a true, correct, complete and executed copy of the lease. Such lease must contain (i) the option required by Section 15.5 below, (ii) a provision which precludes any other food or beverage service vendor selling predominantly products similar to JIMBOY'S Restaurants from operating in the same business center, (iii) if You close or relocate Your Restaurant, the alteration and de-identification rights required by Section 15.3 of this Agreement (iv) agreement by the lessor (A) to give Us reasonable notice of any lease termination and a reasonable time in which to take and make such alterations and de-identification and (B) provide that You have the unrestricted right to assign such lease to Us. These lease provisions may be subject to the reasonable consent of the lessor.

(c) You will not relocate Your Restaurant without Our prior written consent. We will consent to a relocation to an alternative, pre-approved location under limited circumstances only, such as loss of the location due to condemnation, eminent domain destruction, loss of Your right of possession for reasons not caused by You or a very substantial and detrimental change in the business potential and character of the location. If We consent to the relocation of Your Restaurant, You must comply with such reasonable site selection and construction procedures as We may require and following relocation, You must conduct a Grand Opening Promotion as required by Section 7.8 below. You will be solely responsible for the expense of any such relocation and will pay Us a reasonable fee for Our services in connection with such relocation. You will be fully responsible for closing the prior location and must comply with Section 15.3 below regarding de-identification.

1.4 Opening Date

You must open Your Restaurant and commence business within two hundred ten (210) days following the Effective Date of this Agreement (including any site selection and acquisition period set forth in any applicable Site Addendum). You may not open Your Restaurant without Our prior written consent and satisfaction of all pre-opening obligations stated in the Manual and the installation of all equipment, fixtures, furnishings and signs included in the plans and specifications approved by Us. Your failure to open the Restaurant in full compliance with these provisions will be a material event of default under this Agreement, and We may prevent You from opening the Restaurant.

1.5 Permits and Alcohol License

(a) You are responsible for constructing and operating Your Restaurant in accordance with applicable laws and regulations. Prior to commencing construction, You must (i) obtain all required zoning classifications and clearances, approvals, permits, licenses and certifications, including any restrictive covenants and (ii) certify in writing to Us that You have obtained all of the foregoing and delivery of the certificates regarding the insurance coverage specified in Article 11 of this Agreement.

(b) Prior to opening of Your Restaurant, You must obtain all required licenses and/or governmental approvals to offer and sell alcoholic beverages at Your Restaurant. You must maintain all such alcoholic beverage licenses and/or governmental approvals throughout the term of this Agreement, including any renewal term. Failure to obtain and maintain such alcoholic beverage licenses and/or governmental approvals will constitute a material default under Subsection 15(b) below. At Our request, You must provide to us copies of all such approvals, clearances, permits, licenses and certifications.

1.6 Construction

(a) You agree to construct and equip Your Restaurant in accordance with all of Our standards, policies and procedures at such time, as stated in the Manual or other written communications from Us, including the following:

(i) You must obtain any and all architectural, engineering, design, construction and other services necessary for the construction of Your Restaurant, all at Your expense. You must adapt Our prototypical architectural and design plans and specifications for a JIMBOY's Restaurant as necessary for the construction of Your Restaurant. If You obtain Our prior written approval, You may use a different architect, in which case such architect must submit the plans to Our designated architect for final review and approval. You will be responsible for all of the costs of such work.

(ii) You further agree to use Our designated architect to develop the construction documents for Your Restaurant. For Your second or subsequent JIMBOY's Restaurant, You must employ a registered architect and/or engineer previously approved by Us to develop the construction documents for Your Restaurant. All such working drawings must substantially comply with Our prototypical plans unless You have received Our prior written approval.

(iii) Prior to commencement of construction, You must provide Us for Our review and approval all design and construction documents ("**Plans**"). If Such Plans must be approved in writing by Us, as determined by Us in Our sole discretion. You must promptly implement any changes requested by Us and revised Plans to Us for approval prior to commencement of construction.

(iv) You acknowledge that Our review of the Plans is only for the purpose of determining compliance with System standards. Our approval of such Plans does not constitute a representation, warranty, or guarantee, express or implied, that such Plans are accurate or free of error concerning their structural application. We will not be responsible for (A) architecture or engineering requirements (B) for any applicable code, zoning, or other requirements of federal, state, local or municipal statutes, ordinances or regulations including, without limitation, any requirement relating to accessibility by disabled persons or others, or (C) any errors, omissions or discrepancies of any nature in the Plans.

(b) You must promptly commence and diligently pursue construction of Your Restaurant using a General Contractor that meets Our General Contractor criteria and has been approved by us.

(c) During construction, You agree to provide Us with such periodic progress reports as We may reasonably request from time to time. In addition, We may make such on-site inspections as We may deem reasonably necessary to evaluate Your progress.

(d) You agree to notify us of the scheduled date for completion of construction no later than ninety (90) days prior to such date. You must confirm, or notify us of any changes to, the scheduled construction completion date forty-five (45) days prior to such date. Within a reasonable time after the date construction is completed, We may, at Our option, conduct an inspection of the completed Restaurant. You must not open Your Restaurant for business without Our written authorization.

ARTICLE 2: FEES

2.1 Fees

You agree to pay Us:

(a) A non-refundable "**Initial Franchise Fee**" of \$____,000, as payment for services rendered prior to the opening of the Restaurant and fully earned. You must pay the Initial Franchise Fee in full upon execution of this Agreement;

(b) A "**Royalty Fee**" as payment for the continuing right to use the System and Marks" equal to five percent (5%) of Your Restaurant's Gross Revenues; and

(c) A "**Brand Fund Fee**" equal to three percent (3%) of Your Restaurant's Gross Revenues, to be applied as described in Section 7.4 below

2.2 No Fees Refundable

You agree that these Fees are not refundable in whole or part under any circumstances and have been fully earned by Us by the grant of this franchise.

2.3 Payment of Fees

(a) You agree to pay Us the Royalty Fee and Marketing Fund Fee, no later than the fifth (5th) day following the end of each week or such other time as may be designated in the Manual such as daily transfers. You must make payments in strict accordance with Our requirements, including EFT payments as described below. TIME IS OF THE ESSENCE regarding payment of such Fees.

(b) You agree to pay all such Fees to Us by direct transfer of funds ("**ACH**") or other method of payment designated by Us. Such method of payment will be determined by Us in Our sole discretion and may be changed from time to time.

(c) You agree at Our request to furnish the information, execute the form attached as **Attachment 2** (or its then current form), make such arrangements and complete such procedures as are reasonably necessary to establish direct ACH payments automatically from Your account(s) to such account(s) as We may designate in order to pay directly such Fees within each payment period referred to above. Without limiting the foregoing, You specifically agree to obtain the necessary equipment used by the System to transmit revenues and other polling information which will allow Us to cause such transfers to be made. You further agree to maintain sufficient funds in Your account(s) to allow timely honoring of each payment to Us by Your bank or other financial institution. You specifically authorize Us to make such direct transfers of the Fees so long as such transfers

are limited to amounts computed with reference to revenues information furnished by You, or if You fail to furnish such information, with reference to good faith estimates by Us.

(d) Royalty and Brand Fund Fees which are not paid when due will bear interest from and after their respective due dates at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. Any late payment of such Fees will be accompanied by a late payment administrative charge of \$250.00.

2.4 Gross Revenues

The term "**Gross Revenues**" as used in this Agreement will mean the total of all cash or other form of payment received for the use of the Restaurant and sales of products and services in or from the Restaurant, including food, drinks, clothing and other tangible property of every kind, or for entertainment charges, made or sold at, in, upon or from Your Restaurant and from any vending, game or other type of machine or similar device located at Your Restaurant; and any and all other amounts which are received as compensation for any services rendered from Your Restaurant including catering fees and service charges. All amounts collected and paid out for sales taxes, selling or issuing system gift or loyalty cards, and the proceeds from the sale of any furniture, fixtures or equipment previously used at Your Restaurant are excluded from Gross Revenues.

ARTICLE 3: TERM; RENEWAL

3.1 Initial Term

Subject to earlier termination, this Agreement has an Initial Term of ten (10) years ("**Initial Term**") or the length of Your lease for Your Restaurant, whichever is less. The Initial Term will commence on the date on which You first operate Your Restaurant as a JIMBOY'S Restaurant. You agree to send Us written notice of Your Restaurant's opening date.

3.2 Renewal

You may renew this Agreement for two additional consecutive five (5) year terms, so long as all of the following conditions have been met before the end of the then current term:

(a) You must give Us written notice of renewal not less than six (6) months or more than twelve (12) months before the end of the current term;

(b) You must not default in any material provision of this Agreement, Area Development Agreement, or any other agreement with Us at any time during the last twelve months of the prior term and must have complied with all material terms and conditions of this Agreement during the current Term;

(c) You must be in good standing as a JIMBOY'S franchisee and be approved by Us operationally and financially;

(d) You must have paid all amounts owed to Us and our affiliated companies ("**Affiliates**"), and Our approved suppliers (as defined in 4.8), and have timely paid all such amounts throughout the current term;

(e) We may send You a written notice of required changes to be made at Your Restaurant, such as (i) additional training requirements, (ii) personnel changes and (iii) modernization of Your Restaurant and its equipment and/or redecorating Your Restaurant and installing new signs and equipment to reflect the then current JIMBOY'S standards and image, in which case You must make all of such changes;

(f) You must have obtained an extension or renewal of Your Lease for the Restaurant to cover the renewal term and delivered to Us a fully executed of such Lease;

(g) You must execute and deliver to Us Our then-current form of Franchise Agreement to apply to the renewal term, but in no event shall the term be longer than Your right to occupy the Restaurant. The Franchise Agreement will contain the then-current Royalty Fee rate and Brand Fund Fee amounts required of new Franchisees;

(h) You must pay Us a "**Renewal Fee**" equal to \$10,000.00; and

(i) You must execute Our form of a general release of any and all claims against Us and Our Affiliates, and Our and their officers, directors, agents and employees.

ARTICLE 4: OPERATING SYSTEM AND PROCEDURES

4.1 Opening Assistance

We will advise and assist You in operating Your Restaurant, including periodic visits by Our representative(s), onsite pre-opening and opening assistance to the extent We deem necessary. In Our sole discretion, We may provide employees (up to two (2)) for such period of time (currently, at least seven (7) days) as We deem appropriate to conduct on-site training before and during the opening of Your Restaurant. We may charge Our then current per diem per

employee (currently, \$350 per day), plus reasonable travel-related expenses, for on-site training and assistance.

4.2 Operating Principal and Management

(a) You agree to designate and to retain at all times during the term of this Agreement one of Your Principal Owners as Your Operating Principal ("**Operating Principal**") who meets the following requirements:

(i) Your Operating Principal must be approved by Us and meet Our qualifications. The Operator Principal for all JIMBOY's Restaurants operated by You and Your Affiliates must be the same person. Any change in the identity of Your Operator Principal must be approved by Us in writing.

(ii) Your Operating Principal must devote full time and best efforts to the supervision of the Your Restaurant and any other JIMBOY'S Restaurants operated by You and your Affiliates) and, without Our written consent, shall not engage in any other business.

(iii) Your Operating Principal must be empowered with full authority to act for You, and You authorize Us to communicate directly with and rely on all such communications with your Operating Principal.

(iv) The name of your Operating Principal will be named on the signature page to this Agreement. You must immediately notify us in writing if your Operating Principal will no longer serve in that capacity. You must designate a new Operating Principal acceptable to Us within thirty (30) days after any such notice. During such thirty (30) day period, You must provide for interim management of Your operations in accordance with this Agreement. Any failure to comply with this Section 4.2 will be a material breach of this Agreement.

(b) At all times during the term of this Agreement, You shall employ (i) a full-time General Manager who shall be responsible for overseeing the day-to-day operation of Your Restaurant. The General Manager, and any other Managers required by the Manual, must satisfy Our qualifications and have completed Our Initial Training Program to Our satisfaction. In the event of the resignation, termination, incapacity or death of any General Manager, You will have a period of thirty (30) days after any such event to complete arrangements for a replacement who satisfies Our qualifications and completes to Our satisfaction the Initial Training Program within sixty (60) days following his or her date of hire.

4.3 Operation of Your Restaurant

Unless You have received Our prior written approval to the contrary, You will:

(a) Keep Your Restaurant open for business during the hours specified by Us;

(b) Operate Your Restaurant in a clean, safe and orderly manner, providing courteous, first-class service;

(c) Construct, equip, and operate Your Restaurant in accordance with all JIMBOY's standards, policies, and procedures as may be established from time by Us, as stated in the Manual or other written communications from Us;

(d) Maintain a competent, conscientious, trained staff and take any and all steps necessary to ensure that Your employees preserve good customer relations and comply with any dress code as may be established from time by Us, as stated in the Manual or other written communications from Us;

(e) Comply with all health, safety and other laws applicable to the operation of Your Restaurant, maintain at least a 90%, "A" or better health inspection score, cure any deficiencies immediately after a governmental inspection and request another inspection as soon as possible thereafter;

(f) Keep current in all monetary obligations owed Us, Our affiliated companies and Approved Suppliers;

(g) Diligently promote and make every reasonable effort to increase the business of Your Restaurant;

(h) Diligently participate in all promotional campaigns, special offers, and other programs, which are prescribed from time to time by Us;

(i) Advertise Your Restaurant by the use of the Marks and any other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by Us as stated in the Manual or other written communication from Us;

(j) Prevent the use of Your Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized by this Agreement or in the Manual;

(k) Obtain and use only the equipment required by the Manual, such as without limitation, a computerized point of sale cash collection system ("**POS System**") which among other things will allow Us to poll information about Your

Restaurant, credit card and/or debit card system, computer equipment and related software and communications systems;

(l) Never manipulate or tamper with the POS System software without Our prior written approval;

(m) Not establish or use any Internet or website for Your Restaurant or otherwise using the Marks without Our prior written consent;

(n) Diligently comply with Our standards, protocols and restrictions regarding social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar outlets, that may exist in the future. Adhere to any social media policies that We establish require all of Your employees to do so as well; and

(o) Never sell any food or beverage product, including without limitation our signature tacos, burritos, plates, salsas, sauces and beverage products, at Your Restaurant that contains any ingredients which were not purchased from a supplier approved by Us or which does not meet Our specifications.

4.4 Confidential Manual

(a) We will loan You for Your Restaurant one copy of Our Confidential Operating Manual (the “**Manual**”). You agree to comply strictly with and perform all things required by the Manual, such as those dealing with the selection, purchase, storage, preparation, packaging, service and sale (including menu content and presentation) of all food and beverage products, maintenance and repair of Your Restaurant's buildings, grounds, furnishings, fixtures and equipment, operating hours and days, employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations.

(b) The Manual, as presently written and as We may in the future amend and supplement them from time to time, is incorporated into and made part of this Agreement by reference. All references to the Manual in this Agreement are to the Manual as most recently revised as of the relevant date. The Manual may be in paper form or available in electronic form or a combination of both media.

(c) You agree that the purpose of the Manual is to provide a means of communicating to all Franchisees specific details of Our System which will enhance uniformity and conformity among all Restaurants. You specifically agree that the Manual is an integral, necessary and material element of the System and that it will be necessary for Us, in order to maintain the high quality of the System and maximize its competitive position, to revise and update the Manual from time to time. We have the right at any time and from time to time, in the good faith exercise of Our reasonable business judgment, to revise, delete from and add to the

materials contained in the Manual. You expressly agree to comply promptly with all obligations in and changes to the Manual.

4.5 Confidentiality; Our Property

(a) You agree that We own all rights in and to the System, including the information and materials described or contained in the Manual, and that the System and Manual contain trade secrets and themselves constitute Our trade secrets which have been or will be revealed to You in confidence. You agree not to disclose, duplicate, license, sell or reveal any portion thereof to any other person, except an employee of You required by his or her work to be familiar with such information. You agree to promptly disclose to Us all innovations whether or not protectable and whether created by or for You or Your owners or employees. All such innovations will be deemed our sole and exclusive property and works made-for-hire for Us. We have the right to incorporate such innovations into the System. You agree to keep and respect all confidential information received from Us, to obtain from each of Your Restaurant's managers an agreement to keep and respect all such confidences and to be responsible for Your employees' keeping this information confidential. A copy of the employee confidentiality agreement is attached hereto as **Attachment 3**.

(b) The Manual and all other confidential materials furnished to You are on loan only, will remain Our property, and You will return all copies of such documents to Us immediately upon the expiration or termination of this Agreement. The Manual may be in hard copy or electronic form and may include more than one volume.

4.6 Uniformity and Conformity

In all regards, You agree that strict conformity by You with this Agreement, the System and the Manual, is vitally important to the collective success of all JIMBOY'S Restaurants, including Your Restaurant, because of the benefits You and other JIMBOY'S operators will derive from uniformity in menu items, identity, quality, appearance, facilities and service among all JIMBOY'S Restaurants. Any material failure to adhere to the requirements contained in this Agreement or in the Manual will be considered a material breach of this Agreement.

4.7 Services and Products

(a) You specifically agree that You will never sell any food or beverage product at Your Restaurant that contains ingredients which were not purchased from a supplier approved by us and which does not meet our specifications. You agree that designated proprietary products and mixes may only be available for purchase from Us, in which case We will sell it to You at reasonable markup.

(b) You further agree to offer for sale from Your Restaurant, at all times when Your Restaurant is open for business, all of the food, beverages and other products expressly described in the Manual, unless You have received Our prior written consent to any exception.

(c) No other product, brand or service other than those identified in the Manual will be offered or sold at or from Your Restaurant without Our prior written consent in each case. You agree to submit to Us in writing any additional product, brand or service proposed by You for Us for Our consideration and final determination before You implement any such change. We may approve it initially for testing only. All proposals approved by Us will become Our property upon submission.

4.8 Approved Suppliers: Proprietary Ingredients

(a) In order to assure uniformity and conformity among Restaurants in the System and to comply with all truth in advertising laws, You agree to purchase all equipment, supplies and products for sale at Your Restaurant only from suppliers who are at that time approved in writing by Us as an approved supplier ("**Approved Supplier**"), which may include one of our Affiliates.

(b) If You want to purchase any products from a supplier who is not an Approved Supplier, You will notify Us of such supplier, pay an approval fee and instruct the proposed supplier to contact Us and follow Our procedures for becoming an Approved Supplier. We may charge a reasonable fee for the fees and costs involved in these approval procedures. You understand and agree that at Our discretion any such proposal may be utilized on a test basis only subject to the terms of a written test agreement. You agree to buy to the extent required by the Manual any designated proprietary products or ingredients such as special seasonings from Us or a designated supplier (which may be an Affiliate). You agree that such ingredients are prepared pursuant to secret, proprietary recipes and/or procedures belonging to Us.

4.9 Your Covenants

(a) You agree that JIMBOY'S Restaurants, including Your Restaurant, must compete against similar businesses (as defined below) which may have far greater financial resources and may be better established in the food service industry. For purposes hereof, a "**Similar Business**" is any Restaurant or similar business offering the same or similar products or services to those provided by a JIMBOY'S Restaurant.

(b) Therefore, You agree on behalf of Yourself and each and every person with an ownership interest in Your Restaurant business ("**Owner**") to take all necessary action to assure compliance throughout the term of this Agreement with the requirements of this Section 4.9 and the other Sections in this ARTICLE 4,

including obtaining and delivering to Us a written agreement from each such person that he or she agrees to each of the covenants set forth in this Section 4.9.

(c) Neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business without Our prior express written consent.

(d) Neither You nor any Owner will perform any services for or become a landlord of any Similar Business without Our prior express written consent.

(e) Neither You nor any Owner will divert or attempt to divert any business or customer of Your Restaurant, or of any other JIMBOY'S Restaurant, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

(f) For a period of two (2) years following the expiration or termination of this Agreement, neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business which is located within ten (10) miles of any JIMBOY'S Restaurant without Our prior express written consent.

(g) You agree that any violation of this Section 4.9 would result in irreparable injury to Us and the System and that We would be without an adequate remedy at law. You agree that in the event of a breach or threatened breach of any such covenant, We will not be required to prove actual or threatened damage from such breach in order to obtain a temporary and/or permanent injunction and a decree for specific performance of the terms of this Section 4.9. In addition to injunctive relief, We shall be entitled to any other remedies which We may have under this Agreement, at law or in equity.

(h) The parties agree that each of these covenants will be construed as independent of each other and of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 4.9 is held unenforceable by a court having valid jurisdiction in a final decision between the parties hereto and from which no appeal has or may be taken, You expressly agree to be bound by the remaining portion of such covenant.

4.10 Employees

(a) You will not hire or make arrangements to hire any person employed by Us, by any Affiliate of Ours or by another JIMBOY'S Franchisee without first obtaining Our or such other Franchisee's written consent. The parties agree that in the event of Your breach of this covenant, actual damages would be extremely difficult to compute, and accordingly, in the event of such a breach, You agree to pay the prior employer of such person liquidated damages equal to the greater of

such person's prior annual salary or one-half of the annual salary and of any bonus paid or to be paid by You to such person during the first year of employment.

(b) You and You alone will be solely responsible for all hiring and employment decisions and functions relating to Your Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from Us on these subjects or not. Any guidance We may give You regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

4.11 Software

You agree to use in Your Restaurant the software designated by Us in the Manual for Franchisees to use in making estimates, preparing invoices, keeping accounting records and other aspects of the operation of the Restaurant. The software will be available to You on the same terms available to other Franchisees and as specified in the Manual.

4.12 Online Management and Communication System

We may establish an online management and communication system for JIMBOY'S Restaurant Operations and You agree to participate and perform all things necessary to set up and connect to the online communication system and comply strictly with its requirements.

4.13 Liquor and Business Licenses.

You agree to secure and maintain, at Your sole cost, any and all required state, county, and/or local liquor licenses required for the on-premises sale and consumption of alcoholic beverages at the Restaurant and any other business licenses required for the operation of Your Restaurant.

4.14 Pricing

To the fullest extent permitted by applicable law at such time, We reserve the right to establish maximum, minimum or other pricing requirements with respect to the prices You may charge for products or services, and You agree to comply with any such requirements.

4.15 Data Security

You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. You agree that Your Restaurant will comply at all times, with all applicable security standards developed by the Payment Card Industry Data Security Standards (“**PCI DSS**”) council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (“**FACTA**”) and all other successor or additional laws, and all other data security requirements We prescribe.

4.16 Crisis Management.

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

(b) Upon the occurrence of a Crisis Management Event, You agree to immediately inform Us of such event and to cooperate fully with Us, Our designated representatives, and the appropriate authorities with respect to the investigation and resolution of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and System, You must cooperate fully with Us with respect to management statements and other responses to the Crisis Management Event.

ARTICLE 5: TRAINING

5.1 Initial Training

We will provide without charge at a place or places designated by Us Our initial JIMBOY’S operations training course to You or Your Operating Principal, as identified in this Agreement.

5.2 Training Required

You or Your Operating Principal must each attend and complete Our Initial training course to Our reasonable satisfaction. All of the managers of Your Restaurant must either attend and successfully complete Our training or otherwise

become certified as required by the Manual. You must always have a properly certified manager on duty at Your Restaurant whenever it is open to the public. In Our sole discretion, We may also provide training for successor and replacement personnel.

5.3 Training Employees

You will be responsible for full compliance at Your Restaurant with the requirements taught at Our Initial Training and will cause Your Restaurant's employees to be trained in those requirements which are relevant to the performance of their respective duties. We may require Your employees to be trained and certified in the performance of their duties, and with Our consent You may have employees approved as certified trainers for the other employees.

5.4 Pre-Opening Events

Prior to opening Your Restaurant Premises for business, You agree at your own expense to conduct mock service and pre-opening operations following the requirements of the Manual ("**Pre-Opening Events**").

5.5 Continuing Training

You and such employees as We may designate will, from time to time, personally attend and complete refresher courses in Restaurant operations and any training sessions held for the purpose of introducing new products or procedures.

5.6 Fees; Expenses

We reserve the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs and for course materials, at Our discretion.

5.7 Attendance at Meetings

You and the Operating Principal must attend, at Your expense, all annual franchise conventions We may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, restaurant management, sales or sales promotion, or similar topics. If You or the Operating Principal are not able to attend a meeting or convention, You must notify us prior to the meeting and must have a substitute person acceptable to Us attend the meeting. In addition, your Unit General Manager(s) must attend the annual training meeting for Unit General Managers that We may hold or sponsor, at Your sole expense. We reserve the right to require that You and/or your Operating Principal attend any additional meetings that We deem appropriate under special circumstances, provided however, that We will not require more than one additional

meeting every year and We will use Our best efforts to give You written notice of any such meeting at least 10 days prior to the meeting.

ARTICLE 6: MAINTENANCE & MODERNIZATION

6.1 Repairs and Maintenance

(a) You agree to maintain Your Restaurant and its parking area in a “like new” condition and in conformity with the requirements set forth in the Manual or other writings issued by Us. You agree to replace Restaurant equipment as necessary or desirable and to obtain any new or additional equipment as may be reasonably required by Us for new products or procedures. You agree to take all such action as requested by Us promptly within a reasonable time period after receipt of such request. If You have failed to take any action within fifteen (15) days after Our notice, We may, in addition to all other remedies, enter Your Restaurant and effect the corrective action contained in the notice, and You shall immediately pay the costs incurred by Us in taking such action.

(b) Except as may be expressly provided in the Manual, no changes of any kind in design, signs, equipment or decor will be made in, on or about Your Restaurant premises without prior written approval of in each instance. You will obtain, repair, maintain and replace all equipment, signs and other Restaurant items at Your sole cost.

6.2 Modernization

In order to compete effectively and to assure the continued success of Your Restaurant, You agree, from time to time as reasonably required by Us (taking into consideration the cost and then remaining term of this Agreement), to modernize Your Restaurant premises, parking area and equipment to Our then current standards and specifications. You understand and agree that this obligation is in addition to other obligations under this Agreement, such as repair, maintenance and purchase of new equipment. No such modernization will be required by Us unless and until Our Affiliates have at that time implemented such standards and specifications in at least twenty-five percent (25%) of their Restaurants located in the continental United States.

ARTICLE 7: MARKETING AND ADVERTISING

7.1 Marketing, Promotion and Advertising Programs

The parties recognize the value of marketing, advertising and promotions to enhance the goodwill and public image of the System. We agree that We will develop marketing, promotion and advertising programs designed to promote and enhance the collective success of all JIMBOY’S Restaurants. It is expressly agreed that in all

respects of such marketing, promotion and advertising (such as type, quantity, timing, placement and choice of media, market areas and advertising agencies), Our decisions made in good faith will be final and binding. Your participation in all such advertising and revenues promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

7.2 Local Advertising

(a) You agree that during the term of this Agreement, You will spend monthly up to two percent (2%) of Gross Revenues for conducting advertising and sales promotion programs for Your Restaurant as designated by Us in the Manual or otherwise in writing. We may require You to provide proof of all such marketing, promotion and advertising expenditures. You acknowledge and agree that You must obtain Our prior written approval for all of Your local programs in order for them to qualify for required spending. This obligation is in addition to Your obligation for grand opening promotion. Payments to an approved Advertising Cooperative ("**Ad Co-op**") will be applied to this Local Advertising obligation.

(b) You will not issue any press release without Our prior express written approval.

(c) You will not make any contributions or donations of items, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf on any such organization) in the name of Your Restaurant or otherwise associate with the Marks, without our prior express written consent.

(d) You will not establish Your own "eclub" or online marketing campaigns, Gift Card programs, or Loyal Customer programs, any websites, social media accounts, or other such programs as designated in the Manual without Our prior written approval. You agree to diligently participate in all promotional campaigns, customer loyalty programs, special offers, and other programs, which are prescribed from time to time by Us.

(e) You agree that Our Local Marketing requirements, as presently written in the Manual and other writings, may in the future be amended and supplemented from time to time, and incorporated into and make part of this Agreement by reference.

7.3 Brand Fund

(a) In order to maximize the general public recognition and acceptance of JIMBOY'S Restaurants, We have established an Advertising Fund ("**Brand Fund**") and require You as a Franchisee to contribute to such Brand Fund.

(b) We will use monies from the Brand Fund to pay for the production costs, advertising, marketing and promotion of JIMBOY'S Restaurants, including without limitation, costs and expenses related to the employment of advertising agencies, payment of talent and residuals, research and development, design and development of trademarks and logos, promotions, public relations market research, reimbursement to Us or Our Affiliates of general and administrative expenses and allowances directly related to marketing of JIMBOY'S Restaurants and clearance of marketing, advertising and promotional programs.

(c) Our Affiliates will also contribute to the Brand Fund the same percentage of the Gross Revenues from operation of JIMBOY'S Restaurants in the continental United States.

(d) We will deposit the Brand Fund Fees in a separate account which will not be considered one of Our assets. You agree that We shall not be a 'trustee' of the Brand Fund or fees.

(e) We agree to cause an annual accounting of the Brand Fund and to make the results of such accounting available to You upon request. If such accounting is made by an independent accounting firm, the expenses thereof shall be paid from the Brand Fund.

(f) We and Our Affiliates reserve the right to receive advertising promotional allowances and/or advertising rebates from suppliers or distributors which relate directly to purchases by JIMBOY'S Restaurants operated by franchisees. We may at Our discretion cause such monies to be paid into the Brand Fund, with the understanding that You and We may retain all such payments paid directly to You or Us, respectively.

(g) You agree that We have no obligation in administering the Brand Fund to make expenditures for You or others which are equivalent or proportionate to the contribution(s) made or to ensure that any particular franchisee benefits directly or pro rata from any marketing program or advertising.

(h) You agree that We may reimburse Ourselves from the Brand Fund for (i) the direct costs and expenses incurred by Us or our Affiliates in administering the Brand Fund and (ii) up to fifteen (15%) of Brand Fund contributions for each of Our fiscal years to cover (A) Our administrative costs and overhead incurred by Us in connection with activities related to the administration of the Brand Fund and its programs and (B) a pro rata portion of the compensation paid by Us or Our Affiliates to persons for their work on Brand Fund related matters.

7.4 Brand Fund Policy

(a) We will develop and modify from time to time as necessary a Brand Fund Policy which will include procedures and guidelines for disbursements and expenditures from the Brand Fund.

(b) All monies in the Brand Fund, including any interest or other income earned from the investment of such monies, must be spent and disbursed only in accordance with this Agreement and the Brand Fund Policy, which may be modified from time to time at Our discretion so long as all monies are used to pay for marketing, promotion and advertising programs for JIMBOY'S Restaurants in the United States of America.

7.5 Temporary Investment

We may temporarily invest any or all of the monies held in the Brand Fund from time to time at Our sole discretion in accordance with the Brand Fund Policy. We will use any interest or other income received from such investments to pay for the expenses of administering the Brand Fund pursuant to the Brand Fund Policy. Interest or income received from temporary investments that exceed the reasonable expenses of administering the fund will be considered part of the Brand Fund.

7.6 Ad Co-ops

(a) We may at Our discretion designate any geographical area as a basis for an Ad Co-op for the purpose of marketing, advertising and promoting JIMBOY'S Restaurants in that area, including the Affiliates' Restaurants. The Ad Co-op will also serve as means of exchanging ideas, sharing information and problem solving.

(b) You agree to become a member of an Ad Co-op at any time the Restaurant is located within the designated area for such Ad Co-op.

(c) You agree to execute and deliver any such Ad Co-op agreements or undertakings required by such Ad Co-op, to make contributions as required of its members and to maintain Your status as a member in good standing of such Ad Co-op at all times.

(d) We may from time to time establish and revise the requirements for approval of Ad Co-ops, the amount of contribution by members to each such Ad Co-op and exemptions from membership or temporary suspensions of contributions. All such contributions will be credited toward your Local Advertising Spend.

(e) The mandatory contribution to an Ad Co-op may exceed Your Local Advertising spend if the Ad Co-op members agree to additional funding in accordance with established Bylaws.

7.7 Approval of Advertising

(a) You must use only advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise. All of Your advertising, promotion and marketing must be completely clear and factual,

not misleading and conform to the highest standards of ethical marketing and the promotion policies.

(b) If You wish to use other or modified materials, You must submit to Us, in each instance and at least thirty (30) days prior to first use, the proposed advertising copy and materials for approval in advance of publication. You may use only advertising materials which have been approved in writing by Us.

(c) In no event will Your advertising contain any statement or material which may be considered (i) in bad taste or offensive to the public or to any group of persons, (ii) defamatory of any person or an attack on any competitor (iii) will not be misleading, and such advertising (iv) will conform to the highest standards of ethical marketing and the promotion policies that we prescribe from time to time.

7.8 Grand Opening

You agree to conduct an approved Grand Opening promotion for the Restaurant within 30 days prior or 60 days after its opening and to spend at least \$15,000 in approved expenditures in regard to such promotion. We will assist You in planning for Your Grand Opening in accordance with our standards, including, without limitation, standards related to the timing, type, size and amount spent on the grand opening promotion (“**Grand Opening Event**”). All advertising, methods and media You use in connection with such Grand Opening Event must have Our prior approval. At Our request, You must submit to Us expenditure reports accurately reflecting Your Grand Opening Event expenditures. Grand Opening Event expenditures will not be credited toward any of Your other obligations under this Section 7.8.

7.9 Websites and Internet Advertising

You shall not, indirectly or directly, establish or use any Internet web page, web site address, Internet directory listing, or any other social networking site as defined in the Manual, relating in any way to Your Restaurant, or which uses the Marks without Our prior written consent. Except email communications, You may not conduct any aspect of Your Restaurant business through the Internet without Our prior consent. You will adhere to any social media policies that We establish from time to time and will require all of Your employees to do so as well. We will include information about Your Restaurant on Our Web site.

7.10 E-mail Club

You must participate in our e-mail club by requiring Your employees to promote the club to Your customers. You agree to pay Your prorated share of the cost of operating the club as determined by Us or Our designated vendor. We may require you to sign a separate agreement in the future that will govern the terms and conditions of the club. Subject to applicable law, the club membership list shall be Our sole and exclusive property and may be used by Us for other purposes. The

prorated cost of the e-mail club allocated to Your Restaurant will be included as part of your local advertising requirements under subparagraph 7.2.

7.11 Promotional, Loyalty and Test Programs

We or Our Affiliate may, from time to time, in Our sole discretion, develop and administer national or regional advertising and sales promotion programs, loyalty programs (including, without limitation, gift card, gift certificate and other customer loyalty or retention programs) and test programs. You must participate in all such programs, at Your expense and sign the forms and take the actions that We require to participate in such programs. You acknowledge that such participation may require You to purchase reasonable point of sale advertising material, posters, flyers, product displays and other promotional materials.

7.12 Social Media

We have sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar outlets that may exist in the future. We may use part of the Ad Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such profiles. We may (but need not) establish a social media policy and guidelines pursuant to which You may establish profiles or otherwise establish a presence on such social media outlets. In that event, You shall comply with the standards, protocols and restrictions that We impose from time to time on such use.

ARTICLE 8: ACCOUNTING AND RECORD KEEPING

8.1 Point of Sales System

(a) Before the opening of Your Restaurant and at Your own expense, You agree to procure and install the computer hardware, software, Internet connections and service, required dedicated telephone and other computer-related accessories, peripherals and equipment that are required in the Manual (the “**Point of Sales System**”).

(b) You agree to accurately, consistently and completely record and provide through the Point of Sales System all information concerning the operation of Your Restaurant that We require, in the form and at the intervals that We require, as set forth in the Manual.

(c) You acknowledge and agree that We will have full and complete independent access to Your Point of Sales System, and We may retrieve from Your Point of Sale System all information that We consider necessary, desirable or appropriate.

8.2 Accounting Information

You understand and agree that We may under Section 8.1 require You to use software which will generate accounting information which will be accessible to Us electronically. You also agree that We may require You, following written notice or as part of the Manual to send to Us in the form and within the time schedules set forth in the Manual hard copy or other form of reports and information. These may include Profit and Loss Statements, Balance Sheets and Statements of Cash Flow, and income tax returns.

8.3 Accounting Records

You agree to maintain and preserve for a minimum of seven (7) years from the date of preparation full, complete and accurate books, records and accounts in accordance with generally accepted accounting principals and in the form and manner prescribed by the Manual.

ARTICLE 9: AUDITS AND INSPECTIONS

9.1 Audit Rights

You agree that We will at all times have the following audit rights:

(a) Our representatives may on a reasonable basis review, inspect and copy any and all accounting records, tax records and other such documents, as they determine, in their sole discretion as being necessary to audit Your compliance with this Agreement.

(b) If any inspection or audit reveals that the Gross Revenues reported in any report or statement are less than the actual Gross Revenues calculated during such inspection, then You will immediately pay Us the additional amount of fees owing by reason of the understatement of Gross Revenues previously reported, together with interest as provided in Section 2.3. In the event that any report or statement by You understated gross revenues by more than two percent (2%) of the actual Gross Revenues calculated during Our inspection, You will, in addition to paying for the additional fees, pay and reimburse Us for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments will be without prejudice to any other rights or remedies We may have under this Agreement or otherwise. In addition, We may at Our sole discretion require

a complete and full audit in accordance with generally accepted accounting principals and by a certified public accountant acceptable to Us, at Your expense.

9.2 Inspection

(a) You agree to, at Your expense, participate in surveys regarding customer satisfaction, Restaurant inspections, and other on-site or remote reviews of Your operations as stated in the Manual. In addition, You will cause the reports of all such inspections or surveys to be sent to Us.

(b) We will make periodic calls or visits to Your Restaurant as We deem advisable. You agree that Our representatives will have the right at any time and from time to time without notice to enter Your Restaurant for the purpose of inspecting its condition and its operations for compliance with Our requirements contained in this Agreement and in the Manual, and for any other reasonable purpose connected with the operation of Your Restaurant.

(c) You agree to incorporate into Your Restaurant any reasonable corrections and modification We require to maintain Our standards of quality and uniformity, as quickly as is reasonably possible and using all resources at Your disposal.

9.3 Books and Records

Without limiting the generality of Section 9.2, Our representatives will have the right at all times during normal business hours to confer with Your Restaurant's employees and customers, and to inspect Your books, records and tax returns, or such portions thereof as pertain to the operation of Your Restaurant. All of Your books, records and tax returns will be kept and maintained at Your Restaurant, at Your primary office or such other place as may be agreed to from time to time in writing by the parties.

9.4 Ownership Records

If You are not an individual or sole proprietorship, You must maintain an accurate ownership register or other list of names, addresses and interests of all Your record and beneficial owners. Upon ten days written notice from Us, You will deliver to Us a copy of such register and/or list of owners, certified by Your chief executive officer to be correct. During any audit or other inspection under this Section 9, You will allow Our representatives to inspect and copy such register and/or list.

ARTICLE 10: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

10.1 Relationship

You are not, and will not represent or hold Yourself out as being an agent, legal representative, joint venture, partner, employee or servant of Us for any purpose whatsoever and, where permitted by law to do so, will file a business certificate to such effect with the proper recording authorities. You are an independent contractor and are not authorized to make any statement or commitment on behalf of Us, or to create any obligation, express or implied, on behalf of Us. You agree that We are not in any way a "fiduciary" in regards to You. You will not use the name JIMBOY'S or any similar words as part of the name of a corporation or other business entity directly or indirectly associated with You.

10.2 Indemnification

(a) You will indemnify Us, Our Affiliates and their officers, directors, employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of Your Restaurant or Restaurant premises, the conduct of Your Restaurant's business, the ownership or possession of real or personal property, any negligent act, misfeasance or nonfeasance by You or any of Your agents, contractors, servants, employees or licensees, (ii) Your failure to perform any of Your obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by Us or on Our behalf in the investigation of or defense against any and all such claims.

(b) We will indemnify You and Your Owners and Your and their employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the Marks, the System and the operation of Your Restaurant so long as You were properly operating the Restaurant according to the System and the Manual or related to Our obligations incurred pursuant to any provisions of this Agreement, (ii) Our failure to perform any of Our obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by or on Your behalf in the investigation of or defense against any and all such claims.

ARTICLE 11: INSURANCE

11.1 Insurance

You will obtain before beginning construction or remodeling of Your Restaurant and will maintain in full force and effect during the entire term of this Agreement, at Your sole cost and expense, an insurance policy or policies protecting You and Us against any and all loss, liability or occurrence, arising out of or in connection with the

construction, condition, operation, use or occupancy of Your Restaurant or Your Restaurant premises. We will be named as an additional insured in all such policies, workers' compensation excepted.

11.2 Policies

In all events, the insurance policy or policies will include at least the following:

(a) Comprehensive general liability insurance, including products liability coverage with minimum coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

(b) Liquor liability coverage (if any alcoholic beverages are offered for sale from the Restaurant) with minimum coverage of \$1,000,000 and \$2,000,000 in the aggregate.

(c) Property insurance covering the perils of fire and extended coverage, vandalism and malicious mischief with coverage to be at replacement cost.

(d) Liability for owned, non-owned and hired vehicles with minimum coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

(e) Umbrella liability insurance policy providing a minimum of \$5,000,000 total coverage including the above limits.

(f) Course of construction insurance at replacement cost.

(g) Workers' compensation insurance as required by applicable state law.

(h) Business interruption insurance (reasonable coverage and time limit).

Your obligation to maintain this insurance will not be limited in any way by reason of any insurance maintained by Us.

11.3 Qualified Insurance Carrier

All insurance policies required by this Agreement must be written by a responsible insurance company or companies satisfactory to Us and in accordance with the minimum limits set forth in Section 11.2 above, which may be changed from time to time by Us at Our discretion to reflect changed conditions. Each insurance company must be rated no less than A VII by A.M. Best and Company. You must maintain such additional insurance coverage and increased limits that We may reasonably consider advisable for a Restaurant business in the area where Your Restaurant is located.

11.4 Certificates

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, You will deliver to Us for Our approval certificates of insurance showing compliance with the requirements of Section 11.1. Such certificates must state that the policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to Us. Maintenance of such insurance and the performance by You of Your obligations under this Section 11 will not relieve You under the indemnity provisions of this Agreement or limit such liability.

11.5 Failure to Insure

If You, for any reason, fail to obtain and maintain the insurance coverage required by this Section, We will have the right and authority to obtain immediately such insurance coverage and to charge the cost thereof plus a ten percent (10%) processing fee to You, which charges will be paid immediately upon notice and will be subject to charges for late payments in the manner set forth in Section 2.3 above.

11.6 Changes in Insurance Requirements

You agree that to meet then current needs and situations We may in the Manual revise and add to the above requirements.

ARTICLE 12: DEBTS AND TAXES

12.1 Debts and Taxes

You will pay promptly when due all debts and other obligations incurred directly or indirectly in connection with Your Restaurant and its operation; including, without limitation, all taxes and assessments that may be assessed against Your Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings and other property, and all liens and encumbrances of every kind and character incurred by or on behalf of You in conducting Your Restaurant business. You may protest or contest any of such amounts so long as such protest or contest does not adversely affect the continued business of Your Restaurant or possession of Your Restaurant premises.

ARTICLE 13: SALE AND ASSIGNMENT, RESTRICTIONS

13.1 Definition of Principals; Personal Guarantees

For purposes of this ARTICLE 13, the term "**Principals**" will include the persons signing this Agreement as Principals and all owners of You if You are a legal entity, any of Your future owners and the spouses, or any trust for the benefit of any

such Principal. Unless We have given Our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of Your obligations under this Agreement. We have unrestricted right to approve all owners and any future owners.

13.2 Authorized Agent

You and the Principals appoint the following person with full authority (the **"Authorized Agent"**) to act on behalf of You and the Principals in regard to performing, administering or amending this Agreement: _____.

We may deal completely with the Authorized Agent in such regard unless and until Our actual receipt of written notice from You and the Principals of the appointment of a successor to the Authorized Agent.

13.3 Personal Contract; Consent Mandatory

You agree that a material part of the consideration for Our entering into this Agreement is the personal confidence We have in You and the Principals. No person will succeed to any of Your rights under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors, other legal process or transfer not expressly authorized and consented to by Us. Except as expressly provided for in this Agreement any attempt by You to transfer any of Your rights or interest under this Agreement will constitute a material breach of this Agreement, and in such event We will have the right to terminate this Agreement upon written notice to You. We will not be bound by any attempted transfer in any manner whatsoever, by law or otherwise, of any of Your rights or interests under this Agreement except as permitted by this ARTICLE 13.

13.4 Form of Legal Entity

(a) If You have been organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a **"Legal Entity"**) or if Your interests in this Agreement are to be transferred to a Legal Entity, such Legal Entity must be expressly approved in advance and in writing by Us. We will not charge a transfer fee for forming such a Legal Entity.

(b) You must comply with this Section 13.4 and any other condition which We may require, including a limitation on the number of owners of the Legal Entity. We have unrestricted right to approve all equity owners and any future owners and to require a Personal Guaranty. The organization documents must be promptly submitted for Our review.

(c) Unless We provide Our prior written consent to the contrary, each Legal Entity must satisfy the following conditions and such other conditions as We may require under the circumstances:

- (i) The Legal Entity must be closely held with the single purpose of operating JIMBOY'S Restaurants.
- (ii) The Principals will own and control not less than fifty and one-tenth percent (50.1%) of the voting rights of the Legal Entity or otherwise satisfy Us that the Principals have operational control of the Legal Entity.
- (iii) There will not be more than ten (10) owners of the Legal Entity in addition to the Principals.
- (iv) Each person designated as Authorized Agent or Designated Principal must own at least ten percent (10%) of the ownership interests of the Legal Entity.

(d) You must notify Us of any proposed issuance or transfer of an ownership interest in the Legal Entity, and We will have thirty (30) days after its receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable and based on the transferee's being involved with other parties in competition with JIMBOY'S Restaurants or having a known history, reputation or character which is adverse to the interests of JIMBOY'S Restaurants. A failure by Us to respond timely to such notice will be deemed an approval of the proposed transfer. Each such notice from You must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow Us to make a reasoned decision of approval or disapproval.

(d) Notwithstanding anything to the contrary contained in this Section 13.4, a transfer of ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them or entities controlled by any Principal for the benefit of members of his or her immediate family shall not require Our prior written approval so long as the other requirements of this Section 13.4 are satisfied and We receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold Our approval of any transfer so long as the Principals maintain operational control over You.

(e) The organizational documents of the Legal Entity must contain the restrictions set forth in Subsections 13.4(b) and (c) above and this Subsection 13.4(e). You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

"The transfer of ownership in this company is subject to the terms and conditions of a JIMBOY'S Franchise Agreement. Reference is made to such Franchise Agreement and to the restrictive provisions contained in the organization documents of this company."

13.5 Written Consent

(a) Except as otherwise expressly set forth in this ARTICLE 13, neither Your rights and interests under this Agreement nor any ownership interests in You (if You are a Legal Entity) may be sold, assigned, encumbered or otherwise transferred (all of which are hereinafter included within the term "**transfer**") in whole or in part in any manner whatsoever without Our prior express written consent.

(b) We will not unreasonably withhold Our consent to a transfer. In considering a request for transfer, We will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if he or she were a prospective direct purchaser of a franchise from Us. In addition, but without limitation, We will require as conditions to the granting of Our consent all of the following:

- (i) There must be no existing default in the performance or observance of any of Your obligations under this Agreement or any other agreement with Us, and Your Restaurant will be in condition and appearance satisfactory to Us and in accordance with Our System standards at that time;
- (ii) You must settle all outstanding accounts with Us and our Affiliate(s);
- (iii) You must pay Us Our then current transfer fee, to compensate Us for Our expenses incurred in connection with investigating the qualifications of the proposed transferee, training the proposed transferee and the direct administrative costs of effectuating the transfer. The amount of the transfer fee will be twenty-five (25%) of our then current initial franchise fee;
- (iv) The proposed transferee or other person(s) designated by Us must prior to the transfer personally attend and satisfactorily complete Our initial training program;
- (v) The proposed transferee and other person(s) designated by Us must execute Our then current form of Franchise Agreement for the remaining term of this franchise;
- (vi) The transfer documents must contain a non-competition agreement by You similar to that set forth in this Agreement at subsection 4.9(f);
- (vii) If You or Your Principals finance any part of the sale price of the transferred interest, You and Your Principals must agree that all of the proposed transferee's obligations are subordinate to the transferee's obligations to pay amounts due to Us and Our Affiliate(s); and
- (viii) Such other requirements as We may in Our discretion deem reasonably necessary, including a general release of any claims against Us.

(c) Neither this Agreement, any of the rights conferred on You hereunder nor any ownership interests in the purchasing franchisee may be retained by You as the transferring franchisee as security for the payment of any obligation that may arise by reason of any such transfer.

13.6 Death and Disability

(a) Except as provided for herein to the contrary, the death or disability of an owner of a Legal Entity shall have the legal results of applicable law. In the event of the death or legal incapacity of one of the Principals, the decedent's estate or You must immediately notify Us of such death and within thirty (30) days after such notice further notify Us of a proposed successor to the decedent's interests (the "**Successor**"). If We approve the Successor, he or she will replace the decedent as a Principal hereunder.

(b) In the event We do not approve the Successor, We will so notify You, and You or the decedent's estate will use Your best efforts within the six (6) months from the date of such written notice from Us to sell the interests in this Agreement and Your Restaurant to a bona fide purchaser in accordance with and subject to all of the provisions of this ARTICLE 13. If by the end of such six-month period, You have not consummated a transfer of such interest or stock in a transaction which meets the requirements of this ARTICLE 13, We will have the option to purchase all of such interest in Your Restaurant and franchise or in the ownership of the Legal Entity at the fair market value thereof as determined in good faith by an independent appraiser selected as set forth in subsection (c) below.

(c) The procedure for determining the fair market value or other terms of purchase shall be that We and You shall each select one appraiser and such two appraisers shall select a third appraiser, and the third appraiser shall make the necessary determination, with the costs of appraisal to be borne equally by You and Us.

(d) If We in Our discretion decide that the death or disability of an individual, a Principal or a Successor will result in unsatisfactory operation of Your Restaurant, We may take over operation of Your Restaurant temporarily, and You will reimburse Us for all of Our costs and compensate Us for Our efforts at an amount equal to 5% of Gross Revenues during such time.

13.7 Right of First Refusal

(a) You must give written notice to Us of any planned, attempted transfer or offer to transfer by You in any manner whatsoever of any interest in or under this Agreement or of any transfer of the controlling ownership interest in You if You are a Legal Entity. You grant Us the right of first refusal in regard to any such offer or transfer to purchase such interest on the same terms and conditions (or on terms and conditions determined by Us which will result in the same net financial benefits to You as transferor). In exercising Our right of first refusal, We may pay the transferor cash at closing in the same amount as the principal amount of any promissory note(s) otherwise required by the transferee or in the amount of the fair market value of any other non-cash purchase price, and if stock is provided for, may substitute stock of Ours or an affiliated corporation in an equivalent value to the stock contained in the

offer of first refusal. Any determination of fair market value, equivalent value or net financial benefits made by Us in good faith shall be deemed an acceptance of the offer. Until We have accepted or rejected the offer of first refusal from You, You will neither consider nor accept any other offer and will keep confidential all of the terms of such transfer.

(b) The first refusal offer to Us must be in writing and must include complete details of all of the terms, conditions and provisions of the proposed transfer, including copies of all agreements which may be assumed by or assigned to the transferee. After receipt of all of such information, We will have thirty (30) days after actual receipt of all of such documents within which to accept or reject it. Our failure to accept within such thirty (30) days will constitute a rejection. If rejected, You may consummate the transfer to a third party if all other provisions of this Agreement are satisfied, but the transfer must be consummated within six (6) months and only upon the terms, conditions and provisions previously offered to Us.

(c) After any rejection by Us, You must in all events submit a fully executed copy of all final transfer documents to Us at least three (3) days in advance of any proposed consummation or closing date for Our review and comparison with the first refusal offer previously submitted to it. Any variation will require an offer of first refusal to Us on the varying terms following the same procedures set forth above. Our right of first refusal will be unrestricted and absolute, and We will in all cases have at least thirty (30) days to consider and act on each offer or any change in the terms and conditions of offer.

(d) Nothing contained in this Section 13.7 will in any way be deemed to limit Our discretion in considering, approving or disapproving any request to transfer any interest under this Agreement.

13.8 Assumption

This Agreement and Our rights, interests and obligations hereunder may be transferred to the benefit of any entity which succeeds to Our business and assumes Our obligations hereunder.

ARTICLE 14: TRADEMARKS

14.1 Ownership

You agree that We have the sole and exclusive right (except for rights granted under existing and future franchise agreements) to use the Marks in connection with the products and services to which they are or may be applied by Us. You agree during the term of this Agreement and after its expiration or other termination You will not directly or indirectly contest or aid in contesting the validity, ownership or use of the Marks by Us or take any action whatsoever in derogation of the rights claimed therein by Us.

14.2 Nonexclusive License

The license granted under this Agreement to use the Marks is nonexclusive except to the extent otherwise specified herein, and We, in Our sole and absolute discretion, may grant other licenses in, to and under the Marks in addition to those licensees already granted, both within and outside Your Restaurant's trading area, and to develop and license other names and marks on any such terms and conditions as We deem appropriate.

14.3 Other Uses

You expressly agree that We have the exclusive, unrestricted right to engage directly and indirectly, at wholesale, retail, catering and otherwise, within Your Restaurant trading area and elsewhere, in (a) the production, distribution and sale of products under the Marks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Us. The license granted to You under this Agreement does not include any right or authority of any kind whatsoever to sell outside the Restaurant any products using the Marks. We have the sole and exclusive right to such rights at all times and at all locations.

14.4 Goodwill

Nothing contained in this Agreement will be construed to vest in You any right, title or interest in or to the Marks, the goodwill now or hereafter associated therewith or any right in the design or any Restaurant building, other than the rights and license expressly granted herein of the term hereof. Any and all goodwill associated with or identified by the Marks will inure directly and exclusively to Our benefit, including without limitation any goodwill resulting from operation and promotion of Your Restaurant.

14.5 Use of Marks

You will not use the Marks in connection with any statement or material which may, in Our judgment, be in bad taste or inconsistent with the JIMBOY'S public image, or tend to bring disparagement, ridicule or scorn upon Us, the Marks or the goodwill associated therewith. You, whether doing business as a proprietorship or Legal Entity, will not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade name or business name, style or design which includes, or is similar to, any of JIMBOY'S identifying characteristics. We will defend You (using legal counsel chosen by Us) and indemnify You from any claims of infringement regarding use by You of the Marks so long as You were using the Marks properly and as authorized by this Agreement.

14.6 Changes in Marks; Protection

We will have the right at any time and from time to time upon notice to You to make additions to, deletions from, and changes in the Marks, or any of them, all of which additions, deletions and changes will be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes will be made in good faith, on a reasonable basis and with a view toward the overall best interest of JIMBOY'S Restaurants generally. We will protect and preserve the integrity and validity of the Marks by taking the actions deemed by Us in Our discretion to be appropriate in the event of any apparent infringement of the Marks.

14.7 Infringements

You must notify Us promptly of any claims or charges of trademark infringement against Us or You, as well as any information You may have of any suspected infringement of the Marks. You will take no action with regard to any such matters without Our prior written approval and will cooperate fully with Us in dealing with any infringement or claim of infringement.

ARTICLE 15: EXPIRATION AND TERMINATION

15.1 Events of Default; Liquidated Damages

(a) We will have the right to terminate this Agreement immediately upon written notice to You if any of the following events occur:

- (i) In the event of any breach or default under Sections 1.4 (opening date), 4.3(c) (failure to comply with applicable laws), 5.2 (mandatory training), 9.2 (inspection), 13.3 and 13.5 (unauthorized transfer) or 13.7 (right of first refusal);
- (ii) If a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization is filed by or against You, or if You make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for Your Restaurant, unless remedied to Our satisfaction within twenty (20) days;
- (iii) If You for any reason lose Your right to possession of Your Restaurant premises;
- (iv) If We discover that You have made any material misrepresentation or omitted any material fact in the information furnished by You in connection with the grant of this franchise including without limitation Your personal commitment that You will only sell food and beverage products, including our signature products, which contain ingredients purchased from a supplier approved by us and which meets our specifications;

(v) If You (or any Principal) are convicted of any felony or other criminal conduct which is relevant to operation of Your Restaurant or if You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the JIMBOY'S business or System.

(vi) If You abandon Your Restaurant by failing to operate it for five consecutive days or lesser period if the facts and circumstances indicate that You do not intend to continue to operate Your Restaurant (except as a result of fire, flood, earthquake or similar causes beyond Your control);

(vii) If You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice; or

(viii) If We make a reasonable determination that continued operation of Your Restaurant by You will result in an imminent danger to any of its customers or to public health or safety.

(b) If You default in any other requirement of this Agreement, We will have the right to terminate this Agreement immediately following thirty (30) days written notice to You (except in the case of a default in payment to Us, in which case only five (5) days written notice is required). If a non-monetary default cannot by its nature reasonably be cured within such thirty-day period, and so long as You are diligently taking all action reasonably necessary to effect such cure, the cure period will be extended to a reasonable amount of time to effect such cure. A default in any other JIMBOY'S franchise agreement in which You or anyone holding an interest in You also has an interest will be considered a default under this Agreement, which if not cured will result in termination of this Agreement.

(c) We may terminate this Agreement upon written notice to You without any curative period if a default is repeated within any 12-month time period.

(d) The provisions of this Section 15.1 are subject to the provisions of any local statutes or regulations which may prohibit Us from terminating this Agreement without good cause or without giving You additional prior written notice of termination and opportunity to cure any default.

(e) Liquidated Damages

(i) Upon termination of this Agreement due to Your action or failure to take action according to its terms and conditions, You agree to pay Us within fifteen (15) days after termination, in addition to any amounts owed Us or Our Affiliates, liquidated damages equal to the average monthly Royalty Fees owed or paid during the 12 full calendar months of operation preceding the effective date of termination multiplied by (A) 24 (being the number of months in two (2) full years), or (B) the number of months remaining in the Agreement had it not been terminated, whichever is less.

(ii) The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages We would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, We might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's current remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

15.2 Termination by You

You may terminate this Agreement following ninety (90) days written notice to Us if We materially breach this Agreement and fail to cure such breach within such ninety-day period.

15.3 Requirements Upon Termination

Upon the expiration or earlier termination of this Agreement for any reason, You must:

(a) immediately discontinue the use of the Marks and the System, including all JIMBOY'S proprietary information, recipes and procedures;

(b) unless We consent to the contrary, remove the Marks from Your Restaurant building and its signs, fixtures and furnishings, eliminate entirely JIMBOY'S trade dress and alter and paint Your Restaurant exterior and improvements a design and color which is basically different from the JIMBOY'S image and design so that there will no longer be any indication to the public that Your Restaurant was a JIMBOY'S Restaurant. If You fail to make or cause to be made any such change within thirty (30) days after written notice, We will have the right to enter upon Your Restaurant premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such changes and You will reimburse Us for all of Our reasonable expenses immediately following demand;

(c) not thereafter use any identifying characteristic that is in any way associated with Us or similar to those associated with Us, or operate or do business under any name or in any manner that might tend to give the public the impression that You are or were a franchisee or otherwise associated with Us;

(d) immediately deliver to Us all copies of the Manual and any items bearing the Marks or which are confidential; and

(e) pay all sums due Us or to become due to Us pursuant to this Agreement.

15.4 Trademark Infringement

If You refuse to comply with a written notice of termination sent by Us and a court later upholds such termination of this Agreement, any operation of Your Restaurant by You from and after the date of termination stated in such notice will constitute trademark infringement by You and You will be liable to Us for damages resulting from such infringement in addition to any royalties paid or payable hereunder, including, without limitation, Your profits.

15.5 Option

If Your Restaurant premises are leased by You from a third party, You will have included in such lease and any subsequent lease of the premises the right by You to assign such lease to Us without further consent by the lessor. We may elect to have the lease automatically assigned to Us under such provision if this Agreement is terminated, whether it is terminated by Us or by You. If We so elect, You will immediately vacate the premises, and We will be entitled to take possession of said premises, including all fixtures and leasehold improvements, and We will pay to You the fair market value of the interests owned by You in Your Restaurant's furnishings and equipment. Fair market value will be determined by mutual agreement or an appraiser selected by Us or the American Arbitration Association if We cannot agree.

ARTICLE 16: MISCELLANEOUS

16.1 No Effect

The waiver by Us of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between Us and any franchisee will not be deemed a waiver of any subsequent or continuing breach or default of the same or any other terms, covenants or conditions contained in this Agreement, or in any other agreement between Us and any franchisee.

16.2 Rights and Remedies

All of Our rights and remedies will be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. Our rights and remedies will be continuing and not exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement will not discharge or release You from any liability or

obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

16.3 Consents

Whenever the consent of a party is sought or required hereunder, such consent will not be unreasonably withheld.

16.4 Partial Invalidity

If any part of this Agreement will for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to Us, or the preservation of the Marks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then We will have the option of terminating this Agreement upon written notice to You.

16.5 Arbitration; Jurisdiction

(a) Except as set forth in Subsection 16.5(b), any unresolved dispute between the parties arising out of this Agreement shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association applicable to commercial arbitrations and the Federal Arbitration Act. Such arbitration shall be held within the county in which Our corporate headquarters are located (the "**Home County**"), which is currently Sacramento County, California. At the conclusion of the arbitration, the arbitrator must deliver to the parties a written statement of conclusions of fact and conclusions of law supporting the final award of the arbitrator. Any party may move for judicial confirmation, modification or correction of the final award of the arbitrator within 60 days after receipt thereof. Alternatively, judgment upon such decision may be entered in any court having jurisdiction over the matter. Arbitrators shall apply the law of the state where Your Restaurant is located (without giving effect to any conflict of law principals) as set forth in section 16.7 below.

(b) Notwithstanding the foregoing, any action by Us which involves Your continued usage of any of the Marks or the System or an issue involving injunctive relief, may be submitted to a court in the Home County having jurisdiction over the issue involved. You and We expressly consent to personal jurisdiction in the Home County and agree that such court(s) shall have exclusive jurisdiction over any issues not subject to arbitration.

16.6 Attorney's Fees

If either party initiates any legal proceeding which involves issues arising out of this Agreement, the prevailing party in such action will be paid its reasonable attorneys' fees and costs by the other party.

16.7 Governing Law

The parties agree that the law of the State of Nevada (without giving effect to any conflict of laws principles) will apply to the construction and enforcement of this Agreement and govern all questions which arise with reference hereto.

16.8 Notices

All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by telefax to such person's telefax number, sent by an established overnight delivery service or mailed by certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, in which event the new address so specified will be used. If mailed, such notice shall be deemed to have been received three days after mailing, and if sent by overnight deliver, such notice shall be deemed to have been received the day following sending.

Us: JIMBOY'S NORTH AMERICA, LLC
80 Iron Point Circle, Suite 105
Folsom, CA 95630
ATTN: The President

With a copy to:
Rodney R. Hatter
Rodney R. Hatter & Associates
4000 MacArthur Blvd.
Suite 600, East Tower
Newport Beach, CA 92660

You: _____

16.9 Terms and Headings

All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Definitions are presented in bold face solely for ease of reference.

16.10 Compliance with Laws

You will at Your own cost and expense promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof. Without limiting the generality of the foregoing, You will abide by all applicable rules and regulations of any Public Health Department.

16.11 Entire Agreement

This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Nothing in this Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document.

16.12 Amendment or Modification

Except as expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both Us and You.

16.13 Acknowledgments

BY INITIALING WHERE INDICATED, YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AND AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY REPRESENTATIONS BY US, OUR AGENTS, OFFICERS OR EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT PREVIOUSLY DELIVERED TO YOU.

YOUR INITIALS:_____

(b) THE SUCCESS OF YOUR FRANCHISED BUSINESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITIES AND EFFORTS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT YOUR FRANCHISED BUSINESS WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS:_____

(c) YOU ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR EARNINGS CLAIMS MADE BY US OR ANYONE ON OUR BEHALF.

YOUR INITIALS:_____

(d) A COMPLETE COPY OF THIS AGREEMENT AS SIGNED BY YOU WAS RECEIVED BY YOU AT LEAST SEVEN CALENDAR DAYS PRIOR TO ITS EXECUTION BY YOU AND A COMPLETE COPY OF OUR FRANCHISE DISCLOSURE DOCUMENT WAS RECEIVED AT LEAST 14 CALENDAR DAYS PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

YOUR INITIALS:_____

(e) IF YOU HAVE ANY EXCEPTIONS OR QUESTIONS REGARDING (a) THROUGH (d), THEY ARE: NONE, EXCEPT _____

YOUR INITIALS:_____

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

“You”

Sign here if the Franchisee is an individual(s):

Print Name: _____

Print Name: _____

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Signature: _____

Signature: _____

Sign here is the Franchisee is a company and/or legal entity:

You: _____

By: _____

Title: _____

Principals:

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

Operating Principal: _____ (Print Name)

“Us”

JIMBOY'S NORTH AMERICA, LLC

By: _____

Title: _____

PROTECTED TERRITORY

The geographic area described below is the **Territory** referred to in Section 1.2(b) of the Franchise Agreement because the Restaurant has been determined by Us to be located within a “**high density area**”:

You: _____

By: _____

Title: _____

Us: Jimboy's North America, LLC

By: _____

Title: _____

ACH FORM



ACH Authorization Form

CREDIT/DEBIT AUTHORIZATION

I (we) hereby authorized JIMBOY'S NORTH AMERICA LLC to initiate entries to my (our) checking/savings/ accounts at the financial institution listed below (THE FINANCIAL INSTITUTION), and, if necessary, initiate adjustments for any transactions credited/debited in error. This authority will remain in effect until JIMBOY'S NORTH AMERICA LLC is notified by me (us) in writing to cancel it in such time as to afford JIMBOY'S NORTH AMERICA LLC and THE FINANCIAL INSTITUTION a reasonable opportunity to act on it.

Name of Financial Institution

Address of Financial Institution – Branch, City, State & Zip

Financial Institution Routing Number:

Checking/Savings Account Number:

Entity Name – If Applicable

Authorized Signatory – PLEASE PRINT

Signature

Date

80 Iron Point Circle # 105 Folsom CA 95630 ☐ Ph: (916)934-5100 ☐ Fax: (916) 934-5110

PERSONAL GUARANTY

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally guarantees, jointly and severally, the due, punctual and full payment and performance of each and all of the obligations of the franchisee ("**Franchisee**") under the foregoing JIMBOY'S Franchise Agreement dated _____, 202__ by and between the Franchisee and Jimboy's North America, LLC the JIMBOY'S franchisor ("**Franchisor**") and hereby individually undertakes to be bound by all of the terms of such Franchise Agreement.

It is the intention of the undersigned that this Personal Guaranty shall be full and absolute. Accordingly, each of the Guarantors hereby waives and agrees not to assert or take advantage of any right or defense based on the absence of any presentment, demand (including demands for performance), notice and protest of each and every kind and of any right to require Franchisor or its assignee to proceed against Franchisee or any other person or to pursue any other remedy before proceeding against a Guarantor.

This Personal Guaranty applies to, binds and inures to the benefit of the Guarantors and their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. Franchisor may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty as of the date set forth below.

("Guarantors")

Dated: _____

CONFIDENTIALITY AGREEMENT

The undersigned Employee of _____ ("**Employer**"), which has applied for and/or received a JIMBOY'S franchise hereby agrees that he or she shall not, while employed by Employer or following such employment, communicate to, or use for the benefit of, any other person, persons, partnership, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of a JIMBOY'S Restaurant; provided, however, that the foregoing does not include information which the Employee can demonstrate came to his or her attention prior to being employed by Employer or which has become a part of the public domain through publication or communication by others.

The Employee agrees to promptly disclose to Employer, any and all ideas, improvements, processes, names, menu items, and enhancements to the franchised business which Employee alone or with others invents, discovers makes or conceives ("Innovations") at any time during, and for a period of one year after employment in a JIMBOY'S Restaurant. All such Innovations will be deemed the sole and exclusive property and works made-for-hire for Jimboy's North America, LLC (the "**Franchisor**"). The Franchisor has the right to incorporate such Innovations into the System without compensation to the Employee.

The Employee acknowledges that any failure to comply with the requirements of this Confidentiality Agreement will cause Employer and the Franchisor irreparable injury, and Employee agrees that in addition to any other right or remedy provided by law, Employer and/or the Franchisor shall be entitled to specific performance of, or an injunction against violation of, the requirements of this Confidentiality Agreement.

The Employee agrees that upon termination of his or her employment with Employer for any reason, he or she will return all copies of documents containing confidential information or trade secrets to Employer, including without limitation JIMBOY'S Confidential Manual(s).

IN WITNESS WHEREOF, the undersigned has executed this document in consideration of his or her employment by the Employer.

DATED: _____

Print Name: _____

Signature: _____

("Employee")

Exhibit B



AREA DEVELOPMENT AGREEMENT

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JIMBOY'S®

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT dated as of _____, 202__, is between Jimboy's North America, LLC, a Nevada limited liability company ("**We**", "**Us**" or "**Our**"), on the one hand, and _____, a _____ organized under the laws of the State _____ ("**You**" or "**Your**"), and the person(s) executing this Agreement as "**PRINCIPALS**" (the "**Principals**"), on the other hand.

In consideration of the mutual promises set forth herein, the parties agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development of Territory. We hereby grant to You the right to open and operate JIMBOY'S franchise restaurants ("**Restaurants**") in the geographic area which is specified in **Exhibit A** attached hereto and incorporated herein by reference (the "**Territory**").

1.2 Your Territorial Rights. (a) During the term and any extension or renewal of this Agreement, We will not (a) license or allow any other party to operate a Restaurant within the Territory except one or more "**Non-traditional Venue**" restaurants defined in subsection 2.1(c) below, or (b) open or operate, directly or indirectly, any Restaurants within the Territory (except pursuant to any first refusal rights contained in any Franchise Agreement between You and Us, or as otherwise provided in Article 5 below).

(b) Notwithstanding the foregoing, if You have opened the minimum number of Restaurants referred to in Section 2.1 below and We determine in Our discretion that one or more additional Restaurants should be developed within the Territory, We will notify You in writing of such determination and offer You the right of first refusal to develop such Restaurant(s). If after 30 days following mailing of such notice, We have not received Your written acceptance of such right of first refusal, We may develop such Restaurants within the Territory or authorize other(s) to do so.

1.3 Termination. If this Agreement is terminated as a result of a material breach by You, We will have the full and absolute right to operate or franchise or license other parties to operate the JIMBOY'S Restaurants within the Territory.

1.4 Other Products and Outlets. You agree that We retain the unrestricted right within the Territory and elsewhere to use, or license others to use, Our trademarks as follows to distribute pre-packaged food and other products.

1.5 Not Transferable. This Agreement is a personal, non-transferable commitment by You to Us based on the personal confidence reposed by Us in the Principals. Accordingly, both parties agree that any attempt without the prior express written consent of Us to transfer, encumber or assign this Agreement by You or by the Principals in any manner whatsoever will cause the immediate and automatic termination of this Agreement, and We will have no further liability or obligation to You or the Principals pursuant to this Agreement.

2. DEVELOPMENT OF TERRITORY

2.1 Development Schedule. (a) You agree to develop at least a total of _____ (____) JIMBOY'S Restaurants (the "**Required Restaurants**") within the Territory during the term of this Agreement in strict accordance with the Development Schedule set forth in **Exhibit B** attached hereto and incorporated herein by reference (the "**Development Schedule**").

(b) The Development Schedule contains a specific number of Required Restaurants to be opened and operated by You within the Territory during certain time periods. If any Restaurants within the Territory are closed for business (except for authorized holidays or temporarily for major repairs or otherwise with Our prior written consent), such Restaurants will not be included in computing the number of open and operating Required Restaurants and in satisfying the deadlines set forth in the Development Schedule.

(c) The number of Required Restaurants for purposes of the Development Schedule will not without Our prior written consent include a Restaurant located at a "**Non-Traditional Venue**", which means a site or location within another primary business or at institutional settings such as schools, colleges and universities, military and other governmental facilities, hospitals or other health care facilities, hotels, limited access highways, shopping malls, airports, toll roads, office or in-plant food facilities, sports arenas and stadiums, supermarkets, grocery stores or convenience stores.

2.2 Deadlines. The parties acknowledge and agree that the deadlines set forth in the Development Schedule are of the essence of this Agreement. No modification or amendment to the Development Schedule or any consent to or waiver of any deadline or other obligation of this Agreement will either (a) create any obligation to grant additional modifications, amendments, consents or waivers or (b) be effective unless made by written mutual agreement of the parties.

3. DEVELOPMENT FEE

3.1 Development Fee. In consideration of Our grant to You of the right to develop JIMBOY'S Restaurants in the Territory as provided for herein, You agree to pay to Us upon execution of this Agreement the Initial Franchise Fee for the first Required Restaurant plus \$15,000.00 for each additional Required Restaurant (the "**Development Fee**"). The Development Fee is non-refundable and is fully earned by Us upon Our execution hereof as a result of the grant of rights to You and Our forbearance from developing the Territory Ourselves or through other parties. You will not be entitled to a refund of such fee under any circumstances.

3.2 Amount of Fee. The total Development Fee to be paid by You upon execution of this Agreement is \$_____.

4. DEVELOPMENT PROCEDURES

4.1 Mandatory Compliance. You must at all times remain in compliance with this Agreement and all Franchise Agreements issued for Restaurants developed hereunder. We will not approve any pending franchise application or site approval request by You for additional Restaurant(s) if You are in material breach of any Franchise Agreement.

4.2 Site Approval. You will utilize Your own financial, real estate, construction and any other resources required to develop Restaurants using architects, contractors, and vendors previously approved by Us. You agree to comply with the requirements of the Franchise Agreement and any additional requirements provided for in the Manual.

4.3 Franchise Agreements and Fees. You will receive \$15,000.00 credit from the Development Fee toward the Initial Franchise Fee for each Required Restaurant, except that the total Initial Franchise Fee for the first Required Restaurant will be included in the Development Fee.

You must pay the balance of the Initial Franchise Fee and execute Our then-current form of JIMBOY'S Franchise Agreement for each other Required Restaurant. For the second and each of the other Required Restaurants opened pursuant to Your Development Schedule, the Restaurant's Initial Franchise Fee and Royalties will be the same as those contained in Your first Required Restaurant.

4.4 Confidentiality Agreements. You agree to obtain from each of the Principals and any other or Your representatives a Confidentiality Agreement in the form attached hereto as **Exhibit C** and incorporated herein by reference. You further to comply fully with the terms of such Confidentiality Agreement. A copy of all such signed agreements shall be delivered to Us within one week of their execution.

4.5 Development Principal. (a) The individual named in this Section must be an experienced professional with multi-unit restaurant supervisory experience who, will devote his or her full time, best efforts and constant personal attention to the development of the Required Restaurants, with full authority to act on Your behalf and on behalf of the Principals with regards to the operation of Your Required Restaurants: _____ . (the **"Development Principal"**).

(b) The Development Principal must be at all times approved by Us and certified by Us as fully trained for development and Restaurant operations. Certification and approval of the Development Principal includes both satisfactory completion of Our Training Program, and also working sufficient additional time in a company-operated Restaurant, as we deem necessary in our sole discretion, to successfully develop and operate a Restaurant. Failure of the Development Principal to successfully complete this training and the additional in-Restaurant assignment to Our satisfaction constitutes a material breach of this Agreement. Any change in the identity of Your Development Principal must be approved by Us in writing.

5. EXISTING RESTAURANTS; ACQUISITIONS

5.1 Company Restaurants. If We or another entity under common control with Us (**"Affiliate"**) currently operate JIMBOY'S Restaurants within the Territory, such Restaurants are specified on **Exhibit A** attached hereto and incorporated herein by reference (**"Company Restaurants"**) and any present or proposed franchised Restaurants in the Territory are specified on **Exhibit A** as (**"Franchised Restaurants"**). Unless You are purchasing the Company Restaurants or Franchised Restaurants pursuant to separate agreement, You agree that Company Restaurants and Franchise Restaurants may continue to be operated as JIMBOY'S Restaurants notwithstanding their location in the Territory. In any event, such Restaurants will not be included under any circumstances toward meeting Your development obligations hereunder.

5.2 Acquisitions; First Right of Refusal.

(a) We may during the term hereof acquire a chain of restaurants from a third party with the intention of converting some or all of such restaurants to JIMBOY'S Restaurants, in which event You agree that We may so convert any of such restaurants located within the Territory so long as We satisfy the following conditions:

- (i) We will first send You a written offer to purchase all such restaurants within the Territory at Our total acquisition cost (including without limitation "soft" costs as defined below) for such restaurants.
- (ii) You will have thirty days from the date such offer is sent to accept such offer, and until You have either rejected such offer or such thirty day period has lapsed, no conversion or other offer to third parties will be made by Us.

- (iii) Your failure to accept such offer within such thirty-day period will constitute a rejection.

(b) If You have accepted the above offer and converted such restaurant(s) to Our satisfaction, such restaurants(s) will apply toward meeting Your development obligations under the Development Schedule. If We convert or franchise another party to convert such restaurants, such restaurants will not have any effect on Your obligations under the Development Schedule.

(c) For purposes herein, "**soft costs**" will mean all internal and external costs incurred by Us in connection with the acquisition. These will include, without limitation, cost of funds, personnel time (e.g., in analyzing, negotiating, approving and permitting the acquisition, etc.), and out-of-pocket expenses (e.g., travel, lodging, meals, professional fees to attorneys, architects, engineers, etc.) in connection with the acquisition as applied pro rata to each restaurant being offered to You.

6. TERM; RENEWAL

6.1 Term; Renewal. (a) The initial term of this Agreement ends _____ years from the date set forth above **or if initialed**, until the following date:

_____, 20__.

6.2 Renewal

You may renew this Agreement for one additional five (5) year term so long as all of the following conditions have been met before the end of the current term:

(a) You must give Us written notice of renewal not less than six (6) months or more than twelve (12) months before the end of the current term;

(b) You must not default in any material provision of this Agreement or any other agreement with Us at any time during the last twelve months of the prior term and must have complied with all material terms and conditions of this Agreement during the current Term;

(c) You must have paid all amounts owed to Us and our affiliated companies ("**Affiliates**") and have timely paid all such amounts throughout the current term;

(d) You and We must have agreed upon a new Development Schedule to apply during the next term;

(e) You must pay Us a "**Renewal Development Fee**" equal to \$15,000.00 times the number of the Required Restaurants specified in the new Development Schedule; and

(f) You must execute Our form of a general release of any and all claims against Us, the Company and other Affiliates, and Our and their officers, directors, agents and employees.

7. DEFAULT

7.1 Default by You. We will have the right to terminate this Agreement upon thirty (30) days written notice to You if You fail to perform any of Your material obligations contained in this Agreement and fail to cure such failure within thirty (30) days of Your receipt of such notice.

7.2 Deadlines Missed by You. TIME IS OF THE ESSENCE of this Agreement. Your failure to meet any deadline set forth in the Development Schedule will constitute a material default under this Agreement without any opportunity to cure such default or notice under Section 7.1 hereof. If You fail to meet such a deadline, We may at any time thereafter immediately terminate this Agreement effective upon written notice from Us. The termination of this Agreement will have no effect on any franchises previously issued to You or on franchises to be issued for sites where We have already approved the site and the franchise.

7.3 Other Defaults. A default by You under any JIMBOY'S Franchise Agreement developed under this Agreement will constitute a material default under this Agreement, in which event We may terminate this Agreement unless such default is timely cured in accordance with the term of the pertinent Franchise Agreement or applicable law.

8. LEGAL ENTITY; RESTRICTIONS; COVENANTS

8.1 Definition of Principals. For purposes of this Article 8, the term "**Principals**" will include the persons executing this Agreement as Principals, their spouses, minor children or any trust for the benefit of such persons. We have unrestricted right to approve all owners and any future owners.

8.2 Personal Guarantees. Unless We have given Our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of Your obligations under this Agreement and under each and every Franchise Agreement to be entered into pursuant hereto.

8.3 Conflicts of Interest. During the term of this Agreement, neither You nor any Principal will, without Our prior express written consent of, directly or indirectly, engage in, or acquire any financial or beneficial interest in, any Restaurant which is similar to or competitive with the business of JIMBOY'S Restaurants ("**Similar Business**")

8.4 Authorized Principal. You and the Principals appoint the following person with full authority (the "**Authorized Principal**") to act on Your behalf and on behalf of the Principals in regard to performing, administering or amending this Agreement and any and all Franchise Agreements related to it: _____ We may deal completely with the Authorized Principal in such regard unless and until Our actual receipt of written notice from You of the appointment of a successor to the Authorized Principal.

YOUR INITIALS: _____

8.5 Form of Legal Entity. (a) If You are organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a "**Legal Entity**"), the Principals must notify Us of the form of such Legal Entity and have received Our written approval and You must comply with this Subsection 8.5 and any other condition which We may require. The organization documents must be promptly submitted for Our review.

(b) Unless We provide prior written consent to the contrary, the Legal Entity must satisfy the following conditions and such other conditions as We may require under the circumstances:

- (i) The Legal Entity must be closely held with the single purpose of developing and operating JIMBOY'S Restaurants.
- (ii) The Principal(s) (as defined in Section 8.1 above) will collectively own and control not less than fifty-one percent (51%) of the voting rights of the Legal Entity or otherwise satisfy Us that the Principals have operational control of the Legal Entity.
- (iii) Each person designated as Developer Principal and Authorized Principal must own at least ten percent (10%) of the ownership interests of the Legal Entity.
- (iii) Not more than twenty percent (20%) in the aggregate of the voting rights of the Legal Entity will be owned beneficially or of record by institutional firms or publicly-held corporations.
- (iv) There will be no public offerings of debt or equity ownership by or in the Legal Entity without Our prior written consent and approval.
- (v) Prior to the end of ____ days after the date of this Agreement, at least \$100,000 times the number of Required Restaurants (\$_____) cash will be invested in Your Legal Entity, which will be its minimum start up capitalization. You agree to furnish Us with written evidence of such investment on or before the above date.
- (vi) You must at all times maintain in the Legal Entity (A) positive working capital and (B) a net worth of at least \$100,000 multiplied by the number of Required Restaurants developed hereunder.
- (vii) There will not be more than five (5) owners of the Legal Entity in addition to the Principals without Our prior written consent and approval.
- (viii) All persons with a 10% or greater interest in You must execute the Personal Guaranty in the form attached hereto as Exhibit D.

(ix) You have provided Us with such documentation as We have requested to evidence the foregoing.

(c) Throughout the term of this Agreement, the Legal Entity will not make any transfer of value to any of its beneficial or record owners or any affiliate of such owner ("**Owner**") which would create negative working capital or would cause the net worth of the Legal Entity to be less than \$100,000.00 multiplied by the number of Required Restaurants to be developed hereunder. Similarly, there will at no time be any transfer of value to any Owner unless You are fully current in all payments to Us and Our Affiliates and all Advertising Cooperatives in the Territory. For purposes herein, "**transfer of value**" will include but not be limited to gifts, bonuses, salaries, benefits or other compensation, dividends of any nature, loans, cancellation of debt, purchases or sales, or similar transfers.

(d) You agree to notify Us of any proposed issuance or transfer of an ownership interest in the Legal Entity, and We will have thirty (30) days after receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable and based on the transferee's being involved with other parties in competition with JIMBOY'S Restaurants or having a known history, reputation or character which is adverse to the interests of JIMBOY'S Restaurants. Our failure to respond timely to such notice will be deemed an approval of the proposed transfer. Each such notice from You must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow Us to make a reasoned decision of approval or disapproval.

(e) Notwithstanding anything to the contrary contained in this Section 8.5, a transfer of ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them or entities controlled by any Principal for the benefit of members of his or her immediate family shall not require Our prior written approval so long as the other requirements of this Section 8.5 are satisfied and We receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold approval of any transfer so long as the Principals maintain operational control of Your Legal Entity.

(f) The organization documents of the Legal Entity will contain the restrictions set forth in this Section 8.5. You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

"Transfer of ownership in this company is subject to the
terms and conditions of JIMBOY'S
Area Development Agreement and Franchise Agreement(s).
Reference is made to such Agreements and to the restrictive provisions
contained in this company's organization documents."

8.6 Financial Statements. You and the Principals agree that each will furnish Us every year during the term hereof a certified copy of the same form of annual financial statements required of the Franchisee in the Franchise Agreements provided for herein. Such financial statements must be received by Us not later than one hundred twenty (120) days after the last day of each fiscal year. Any amendments to such information will be sent to us promptly. TIME IS OF THE ESSENCE with respect to completion and submission of each such document.

9. MISCELLANEOUS

9.1 Miscellaneous. (a) Each of the parties hereto agrees that the terms and conditions of this Agreement are confidential and restricted to the knowledge of the parties and their respective attorneys, accountants, advisors and only other persons whose knowledge of this Agreement are necessary for the implementation of the transaction contemplated hereby.

(b) The terms hereof are intended only to benefit the parties to this Agreement, and no one else is entitled to any benefits as a result of this Agreement or its terms and conditions.

(c) If any part of this Agreement will for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid.

(d) Except as set forth in Section 9.1(e), any unresolved dispute between the parties arising out of this Agreement shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association applicable to commercial arbitrations and the Federal Arbitration Act. Such arbitration shall be held within the county in which Our corporate headquarters are located (the "**Home County**") (currently Sacramento County, California). At the conclusion of the arbitration, the arbitrator must deliver to the parties a written statement of conclusions of fact and conclusions of law supporting the final award of the arbitrator. Any party may move for judicial confirmation, modification or correction of the final award of the arbitrator within 60 days after receipt thereof. Alternatively, judgment upon such decision may be entered in any court having jurisdiction over the matter.

(e) Notwithstanding the foregoing, any action by Us which involves Your continued usage of any of the Marks or the System or an issue involving injunctive relief, may be submitted to a court in the Home County having jurisdiction over the issue involved. You and We expressly consent to personal jurisdiction in the Home County and agree that such court(s) shall have exclusive jurisdiction over any issues not subject to arbitration.

(f) The parties agree that except for conflict of laws issues, the law of the State of Nevada will apply to the construction and enforcement of this Agreement and govern all questions which arise with reference hereto with the following exceptions: (a) the arbitration clause will be exclusively governed by and construed according to the Federal Arbitration Act; and (b) trademark rights will be governed by and construed according to the Lanham Act.

(g) If either party initiates any legal proceeding which involves issues arising out of this Agreement, the prevailing party in such action will be paid its reasonable attorneys' fees and costs by the other party.

(h) All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by an established overnight delivery service or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, in which event the new address so specified will be used. If mailed, such notice shall be deemed to have been received three days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

Us: JIMBOY'S NORTH AMERICA, LLC
80 Iron Point Circle, Suite 105
Folsom, CA 95630
ATTN: The President

With a copy to:
Rodney R. Hatter
Rodney R. Hatter & Associates
4000 MacArthur Blvd.
Suite 600, East Tower
Newport Beach, CA 92660

You: _____

(i) All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. All terms used herein shall have their customary meanings unless specified to the contrary. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Words in bold face are done so for easier of reference only.

(j) Nothing in this Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or

written, of the parties in connection with the subject matter hereof. Except as may be expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both parties.

9.2 Acknowledgment. BY INITIALING WHERE INDICATED, YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY REPRESENTATIONS OF US, OUR AGENTS, OFFICERS OR EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT DELIVERED TO YOU.

YOUR INITIALS:_____

(b) THE SUCCESS OF THE FRANCHISED RESTAURANTS WILL BE LARGELY DEPENDENT UPON THE ABILITIES AND EFFORTS OF YOU AND THE PRINCIPALS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT THE FRANCHISED RESTAURANTS WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS:_____

(c) YOU HAVE NOT RECEIVED AND ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR EARNINGS CLAIMS MADE BY US OR ANYONE ON ITS BEHALF EXCEPT AS CONTAINED IN OUR FRANCHISE DISCLOSURE DOCUMENT.

YOUR INITIALS:_____

(d) A COMPLETE COPY OF THIS AGREEMENT AS SIGNED BY YOU WAS RECEIVED BY YOU AT LEAST 7 CALENDAR DAYS PRIOR TO ITS EXECUTION BY YOU, AND A COMPLETE COPY OF OUR FRANCHISE DISCLOSURE DOCUMENT WAS RECEIVED AT LEAST 14 CALENDAR DAYS PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

YOUR INITIALS:_____

(e) IF YOU HAVE ANY EXCEPTIONS OR QUESTIONS REGARDING (a) THROUGH (d), THEY ARE: NONE, EXCEPT _____

YOUR INITIALS:_____

* * * * *

IN WITNESS WHEREOF, the parties have executed the Agreement as of the day, month and year first above written.

Sign here if the Area Developer is an individual(s):

“You”

Print Name: _____ Print Name: _____

Signature: _____ Signature: _____

Print Name: _____ Print Name: _____

Signature: _____ Signature: _____

Sign here if the Area Developer is a company and/or legal entity:

You: _____

By: _____

Title: _____

Principals:

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

JIMBOY'S NORTH AMERICA, LLC

By _____

Title _____

EXHIBIT A

TERRITORY

Your Name:

Description of Territory:

Existing Restaurants (if any):

APPROVED:

YOU _____

US: _____

DEVELOPMENT SCHEDULE

1. JIMBOY'S Restaurants Development. We have granted to you the right to develop and operate and you agree to develop and operate a minimum number of _____ (__) JIMBOY'S franchise Restaurants in accordance with the terms of the Agreement.

2. Development Obligations. You agree to have the minimum number of JIMBOY'S Restaurants ("**Restaurants**") open in the Development Area during the Development Periods and in operation at the end of each of the Development Periods listed below:

DEVELOPMENT PERIOD	DEVELOPMENT REQUIREMENTS	
ENDING ON:	TO BE OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF CENTERS OPEN AND IN OPERATION AT END OF DEVELOPMENT PERIOD

APPROVED:

YOU: _____

US: _____

CONFIDENTIALITY AGREEMENT

In consideration of receiving information regarding the operation of JIMBOY'S Restaurants (the "**Restaurants**") the undersigned ("**Recipient**") agrees that:

1. Recipient will not (a) make unauthorized copies of, (b) disclose to any unauthorized person or (c) use for Recipient's benefit or a JIMBOY'S competitor's benefit any trade secrets or confidential information, knowledge or know-how about the methods of operating the Restaurants ("**Confidential Information**") except only for information which Recipient can show was known by him or her before receiving such information from Jimboy's North America, LLC or information which has become a part of the public domain through publication or communication by others.

2. Recipient agrees that any breach of this Confidentiality Agreement will cause JIMBOY'S operators irreparable injury, and agrees that in addition to any other right or remedy provided for by law or equity, Jimboy's North America, LLC shall be entitled to specific performance of, or an injunction against violation of, this Confidentiality Agreement.

3. Recipient agrees that upon request he or she will return immediately all copies of any JIMBOY'S Manuals and other documents containing Confidential Information to Jimboy's North America, LLC.

IN WITNESS WHEREOF, the undersigned has executed this document as of the date set forth below.

DATED: _____

Print Name: _____

Signature: _____

PERSONAL GUARANTY

This Personal Guaranty is given to induce Jimboy's North America, LLC (the "**Franchisor**") to enter into that certain JIMBOY'S Area Development Agreement, dated _____, 202__ with _____ ("**Area Developer**").

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally guarantees, jointly and severally, the due, punctual and full payment and performance of each and all of the obligations of Area Developer, including, without limitation, all obligations arising out of the Area Development Agreement and any other agreement; including, without limitation, all Jimboy's Franchise Agreements entered into under the Area Development Agreement, and hereby individually undertakes to be bound by all of the terms of such agreements.

It is the intention of the undersigned that this Personal Guaranty shall be full and absolute. Accordingly, each of the Guarantors hereby waives and agrees not to assert or take advantage of any right or defense based on the absence of any presentment, demand (including demands for performance), notice and protest of each and every kind and of any right to require Franchisor or its assignee to proceed against Area Developer or any other person or to pursue any other remedy before proceeding against a Guarantor.

This Personal Guaranty applies to, binds and inures to the benefit of the Guarantors and their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. The Franchisor may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

In connection with any litigation or arbitration to determine Guarantors liability under this Personal Guaranty, Guarantors expressly waive Guarantors' right to trial by jury, if any, and agree to pay costs and reasonable attorney's fees as fixed by the court or arbitrator.

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty on _____ [date].

"Guarantors"

Print Name: _____

Print Name: _____

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Signature: _____

Signature: _____

Exhibit C

EXHIBIT C

CONFIDENTIALITY AGREEMENT **(OPERATIONS MANUAL)**

This Confidentiality Agreement dated as of _____, 202____ by and between the undersigned ("You" and "Your") and Jimboy's North America, LLC ("Franchisor"), with respect to Your request to review its Operations Manual ("Manual") prior to purchasing a franchise.

1. Franchisor agrees to allow You to review the Manual in consideration of Your execution of this Agreement.

2. You agree that the Franchisor considers the Manual to be confidential and proprietary information which may not be disclosed to other parties. Accordingly, You agree that You will not disclose its contents in whole or part to any other person without the prior written consent of the Franchisor. You will not make retain any copies or reproductions of any nature of the Manual.

3. You acknowledge that the restrictions contained in this Agreement are reasonable and necessary to protect Franchisor's legitimate interests in the Manual and that any breach by You of this Agreement will result in irreparable injury to Franchisor for which a remedy at law would be inadequate. Accordingly, You agree that Franchisor shall be entitled to temporary, preliminary and permanent injunctive relief against You, without the necessity of posting bond, in the event of any breach or threatened breach by You of this Agreement, in addition to any other remedy that may be available to Franchisor whether at law or in equity.

AGREED:

_____ Printed Name: _____

JIMBOY'S NORTH AMERICA, LLC

By: _____

Title: _____

Exhibit D

**NAMES AND ADDRESSES OF AGENTS FOR SERVICE OF PROCESS
AND STATE REGULATORY AUTHORITIES**

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677
HAWAII	Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Securities Compliance Branch Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706 (312) 814-3892
INDIANA	Secretary of State Administrative Offices 201 State House Indianapolis, IN 46204	Securities Commissioner Securities Division, Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa, P.O. Box 30213 Lansing, MI 48909 (517) 373-7117

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198	Deputy Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 11231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities Bldg 69, 1 st Floor, 1511 Pontiac Ave. Cranston, RI 02920 (401) 462-9527
SOUTH DAKOTA	Division of Securities South Dakota Department of Revenue and Regulation 445 E. Capitol Avenue Pierre, SD 57501	Franchise Administrator Division of Securities 445 E. Capitol Avenue Pierre, SD 57501 (605) 773-4013
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98501 (360) 902-8760

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
WISCONSIN	Wisconsin Commissioner of Securities 345 W. Washington Avenue, 4 th Floor Madison, WI 53703	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 266-3432

Exhibit

E

California Only State Addenda

**APPENDIX TO
JIMBOY'S NORTH AMERICA, LLC
CALIFORNIA FRANCHISE DISCLOSURE DOCUMENT**

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

None of the persons identified in Item 2 of the franchise disclosure document ("FDD") is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

CALIFORNIA FRANCHISE REPRESENTATIVE - ITEM 2 AND ITEM 4 DISCLOSURES

ITEM 2: Michael Freeman, Franchise Representative

Michael Freeman become Our franchise sales representative for Southern California on April 1, 2015. Mr. Freeman was our Manager of Franchise Development from June 2011 to March 31, 2015. Mr. Freeman was General Manager of Icon Funding & Realty in Folsom, California from January, 2004, to June, 2011.

ITEM 4:

On November 13, 2008, Michael Freeman filed a personal bankruptcy petition under Chapter 13 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court Eastern District of California, Case No. 08-36596-E-13C), which was later converted into Chapter 7 Case No. 11-48090, and which was discharged on March 19, 2012.

ITEM 17:

In connection with ITEM 17 of the franchise disclosure document, the following paragraphs are included pursuant to California law:

1. The Franchise Agreement contains a liquidated damage clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
2. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

3. 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. 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.
5. The franchise requires a franchisee to execute a general release of claims upon renewal or transfer of the agreement. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
6. The Agreements require application of the laws of the State of Nevada. This provision may not be enforceable under California law.
7. California Corporations Code Section 31125 requires the franchisor to give the franchisee a disclosure document approved by the Department of Financial Protection and Innovation prior to a solicitation of a proposed material modification of an existing franchise.
8. Re: Website: www.jimboystacos.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

Exhibit

F

**List of Franchise Locations
As of October 8, 2020**

California

Company Name	Unit Address	Phone
Roper Food Service, Inc.	8670 Elk Grove Blvd. Elk Grove, CA 95624	916-685-1940
Roper Food Service, Inc.	7300 Laguna Blvd. Elk Grove, CA 95758	916-683-2233
Roper Food Service, Inc.	1000 Sunrise Ave. #1A Roseville, CA 95661	916-788-0222
Roper Food Service, Inc.	7401 Fair Oaks Blvd Carmichael, CA 95608	916-489-6226
Roper Food Service, Inc.	1821 Douglas Blvd #C8 Roseville, CA 95678	916-783-3907
Roper Food Service, Inc.	5410 Crossing Drive Ste. 101 Rocklin, CA 96577	916-652-5300
Roper Food Service, Inc.	708 E. Bidwell Street Folsom, CA 95630	916-983-6990
Avalosbiz, Inc.	7215 Greenhaven Drive Sacramento, CA 95831	916-391-4893
Avalosbiz, Inc.	5551 Franklin Blvd Sacramento, CA 95820	916-427-3951
Ladner & Ladner, Inc.	3033 Arden Way Sacramento, CA 95825	916-485-6616
Ladner & Ladner, Inc.	3900 Watt Avenue Sacramento, CA 95821	916-971-1719
Joel Perez	11065 Folsom Blvd. Rancho Cordova, CA 95670	916-852-6076
Davalos Corporation	9500 Greenback Lane #33 Folsom, CA 95630-2091	916-988-2210
Esther Ruiz	535 Wisconsin Avenue Sacramento, CA 95833	916-925-4101
Doven, Inc.	5085 Stockton Blvd. Sacramento, CA 95820	916-452-6321
GV Food Services, Inc.	1937 Nevada City Hwy Grass Valley, CA 95945	530-477-9490
El Llano, Inc.	301 E Street Marysville, CA 95901	530-742-4727
El Llano, Inc.	920 Colusa Unit "D" Yuba City, CA 95991	530-751-7646
Bellagrace, Inc.	13409 Bowman Road Auburn, CA 95603	530-887-8875
Roper Food Service, Inc.	1228 Galleria Blvd. Ste 120 Roseville, CA 95678	916-773-8226
Presidio, Inc.	3845 Elkhorn Blvd. North Highlands, CA 95660	916-344-6045

Company Name	Unit Address	Phone
Presidio, Inc.	7349 Madison Avenue Citrus Heights, CA 95621	916-961-8260
Presidio, Inc.	5874 Antelope Road Antelope, CA 95843	916-726-7528
Presidio, Inc.	3431 Coach Lane Cameron Park, CA 95682-8408	530-677-2411
Presidio, Inc.	1405 Broadway Placerville, CA 95667	530-621-1511
Presidio, Inc.	3230 Arena Blvd. Ste. 220 Sacramento, CA 95834	916-419-7016
Presidio, Inc.	2021 Bronze Star Drive Ste. 100 Woodland, CA 95576	530-661-3485
Presidio, Inc.	4245 Marconi Ave. Sacramento, CA 95821	916-621-3707
Presidio, Inc.	4010 Sunrise Blvd., Ste 120 Rancho Cordova, CA 95742	707-673-4026
Presidio, Inc	405 K Street, Suite 220 Sacramento, CA 95814	916-228-4885
Presidio, Inc	5442 Hazel Ave, Suite 500 Fair Oaks, CA 95328	916-534-7833
Mario Ruiz	3342 N. Texas Street, Suite F Fairfield, CA 94533	707-673-4026

Nevada

Company Name	Unit Address	Phone
DATF, Inc.	700 E. 2 nd Street Reno, NV 89502	775-329-8288
DATF, Inc.	1363 Baring Blvd. Sparks, NV 89436	775-331-5656
DATF, Inc.	3280 S. Virginia Street Reno, NV 89502	775-827-2544
DATF, Inc	310 Lemmon Drive Lemon Valley, NV 86506	775-971-9770
Marco Blanquet	1370 Sullivan Lane Sparks, NV 89436	775-358-2337
Marco Blanquet	1999 Selmi Dr. Reno, NV 89521	775-284-8208

LIST OF CORPORATE LOCATIONS

California

Unit Address	Phone
100 Atkinson Street Roseville, CA 95678	916-591-5933

**List of Former Franchisees
As of October 8, 2020**

Suracom, Inc.
Cliff Rapisura
1420 29th Street
Sacramento, CA 95816
(916) 759-2119

Laffoon Brothers, Inc.
Randy Laffoon
5423 Maidstone Way
Citrus Heights, CA 95621
(916) 214-1787

All American Taco, LLC
David Angulo
115 S Irving Blvd
Los Angeles, CA 90004
(714) 477-1717

Laffoon Enterprises, Inc.
Ted Laffoon
111617 Dennis Way
Grass Valley, CA 95949
(530) 559-9138

Exhibit G

JIMBOY'S NORTH AMERICA L.L.C.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2020 and 2019

JIMBOY’S NORTH AMERICA L.L.C.

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Kenneth R. Cone, CPA

5000 Barnaby Court
Sacramento CA 95834
(916) 649-1040

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Jimboy's North America L.L.C.

I have audited the accompanying financial statements of Jimboy's North America L.L.C. (a Nevada organization) which comprise the balance sheet as of March 31, 2020 and 2019, and the related statements of income, changes in members' equity, cash flows and supplemental statements of operating expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jimboy's North America L.L.C. as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Kenneth R. Cone, CPA
Sacramento, California

September 29, 2020

JIMBOY'S NORTH AMERICA L.L.C.

Balance Sheets

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
ASSETS		
<u>Current Assets</u>		
Cash & cash equivalents	\$ 155,970	\$ 93,762
Accounts receivable-net	164,066	91,241
Other current assets	13,300	2,173
Total Current Assets	333,336	187,176
 <u>Fixed Assets</u>		
Equipment-net	1,151	1,053
 <u>Other Assets</u>		
Loans to related parties and franchisees	938,768	2,184,032
Security deposit	9,348	9,348
Deferred asset-settlement obligation	574,635	601,881
Goodwill	44,075	44,075
Total Other Assets	1,566,826	2,839,336
 Total Assets	 \$ 1,901,313	 \$ 3,027,565
LIABILITIES AND MEMBERS' EQUITY		
<u>Current Liabilities</u>		
Accounts payable	\$ 66,990	\$ 377,734
Credit cards & short-term commercial notes payable	531,427	176,964
Payroll liabilities & other accruals	49,315	41,300
Short term loan from related party	-	62,000
Current portion of long-term notes	203,909	62,400
Total Current Liabilities	851,641	720,398
 <u>Long-Term Liabilities</u>		
Settlement liability	370,726	539,481
Note payable-family member		1,748,087
Total Long-Term Liabilities	370,726	2,287,568
 Total Liabilities	 \$ 1,222,367	 \$ 3,007,966
 <u>Members' Equity</u>	 678,946	 19,599
 Total Liabilities & Equity	 \$ 1,901,313	 \$ 3,027,565

JIMBOY'S NORTH AMERICA L.L.C.**Statements of Income**

	April 1, 2019 <u>March 31, 2020</u>	April 1, 2018 <u>March 31, 2019</u>
Revenue		
Franchise Royalty Income	\$ 1,440,812	\$ 1,379,959
Advertising Cooperative Reimbursement	791,782	769,044
Advertising Administration	139,726	137,119
Vendor & other rebates	281,423	313,187
Franchise Sales & Area Representative Income	35,000	53,750
Interest Income	11,340	19,190
Other Revenues	<u>53,415</u>	<u>17,468</u>
Total Revenue	2,753,498	2,689,717
Expenses		
Finance, Administration & IT	918,921	1,035,664
Operations	143,303	344,436
Marketing	740,148	868,991
Research and Development	3,381	105,912
Sales	66,205	184,675
Development	<u>166,605</u>	<u>503,028</u>
Total Expenses	<u>2,038,563</u>	<u>3,042,706</u>
Net Income before California Franchise Taxes	714,935	(352,989)
Provision for state income taxes & LLC fees	<u>8,260</u>	<u>15,259</u>
Net income after taxes	<u>\$ 706,675</u>	<u>\$ (368,248)</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Changes in Members' Equity

For the year ended March 31, 2020

	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 19,599
Capital withdrawal		(47,328)
Net Income		706,675
Ending Members' Equity	<u>97,500</u>	<u>\$ 678,946</u>

For the year ended March 31, 2019

	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 387,847
Net Income		(368,248)
Ending Members' Equity	<u>97,500</u>	<u>\$ 19,599</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Cash Flow

	<u>April 1, 2019</u> <u>March 31, 2020</u>	<u>April 1, 2018</u> <u>March 31, 2019</u>
Cash flow from Operating Activities:		
Net Income (loss)	\$ 706,675	\$ (368,248)
Non-cash Adjustments:		
Depreciation	1,021	1,669
(Increase) decrease in net accounts receivable	(72,825)	537,106
(Increase) decrease in other current assets	(11,127)	(1,123)
Increase (decrease) in accounts payable	(310,744)	196,076
Increase (decrease) in credit cards & short-term notes payable	354,463	(14,072)
Increases in payroll liabilities and other accruals	8,015	(9,258)
Equity Exchanged for Labor		
Net cash used in operating activities	\$ 675,478	\$ 342,150
Investing Activities:		
Purchases of equipment	\$ (1,119)	\$
Funds advanced to (recovered from) affiliates	(550,151)	(273,982)
Purchase of goodwill		
Net cash used in investing activities	\$ (551,270)	\$ (273,982)
Financing Activities:		
Short-term loans from related party	\$ (62,000)	\$ 62,000
Change in current portion of long-term debt	-	(72,368)
Commercial line of credit refinanced with long-term funds	-	(499,000)
Long-term financing from related party	-	514,575
Change in settlement liabilities	-	
Net cash provided by financing activities	\$ (62,000)	\$ 5,207
Net cash increase/(decrease) for period	\$ 62,208	\$ 73,375
Cash and cash equivalents, beginning of period	93,762	20,387
Cash and cash equivalents, end of period	\$ 155,970	\$ 93,762
Cash basis interest and income taxes paid:		
Interest paid	\$ 50,857	\$ 117,845
Income taxes paid	\$ -	\$ -
Non-cash transaction - transfer of items to affiliate:		
Note payable transferred to Jimboys Tacos Inc. (JTI)	(1,748,087)	
Excess of note over assets transferred	47,328	
Assets owed from affiliates transferred to JTI	1,700,759	
Non-cash transactions - capitalized legal settlement		
Amortization of the present value of future settlement payments not yet expensed	27,246	
Change in current portion of long-term debt	141,509	
Amortization of the present value of future settlement payment due	(168,755)	

See accompanying notes to financial statements

JIMBOY'S NORTH AMERICA L.L.C.

Supplemental Statements of Operating Expenses

	April 1, 2019 through <u>March 31, 2020</u>	April 1, 2018 through <u>March 31, 2019</u>
Expenses	2,038,563	3,042,706
Finance, Administration & IT	\$ 918,921	\$ 1,035,664
Administrative personnel expenses	152,118	263,609
Travel	8,290	14,692
Technology	17,328	16,609
Office administration expenditures	32,869	41,330
Banking fees & other	11,831	24,341
Occupancy - rent	94,193	96,731
Occupancy - utilities & repairs	573	(408)
Depreciation	1,021	1,669
Interest Expense	50,857	117,845
Bad debt expense	-	93,537
Legal settlement	62,400	
Professional fees	(3,004)	162,153
Royalties & management fees (related party)	490,445	203,556
Operations	143,303	344,436
Franchise support personnel expenses	137,684	275,106
Travel	3,744	66,502
Technology overhead	1,875	2,520
Professional fees	-	308
Marketing	740,148	868,991
Marketing personnel expenses	190,819	190,813
Travel	3,326	13,602
Overhead expenses	3,787	5,787
Professional fees	9,995	8,400
Program expenses	532,221	655,387
Research and Development	3,381	105,912
R&D personnel expenses	1,000	98,171
Travel	544	2,999
Technology & overhead	1,837	4,719
Professional fees		23
Sales	66,205	184,675
Sales personnel expenses	54,158	168,302
Travel	3,476	6,617
Technology & supplies	3,354	1,116
Professional fees	349	(45)
Program expenses	4,868	8,685
Development	166,605	503,028
Development Personnel expenses	94,005	387,587
Travel	3,871	71,368
Technology & overhead	9,484	12,253
Professional fees	59,245	31,820

JIMBOY'S NORTH AMERICA L.L.C.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Jimboy's North America L.L.C., (the Company) was incorporated in June 2012 in the state of Nevada. The Company is engaged in the business of franchising Jimboy's Tacos restaurants throughout the world. When the Company was organized it consummated an agreement to take over being the franchisor for existing franchise restaurants.

During the year ended March 31, 2020, no new franchised restaurants opened, and no restaurants were transferred from franchisee to franchisee and no restaurants were transferred from corporate to a franchisee. 39 franchises were open as of March 31, 2020. These 39 are owned by 17 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2020 two corporate owned restaurants were contributing to operational activities: a net change of one. As of March 31, 2020, the combined number of stores being operated by both franchisees and corporate was 41.

During the year ended March 31, 2019, two new franchised restaurants opened, and no restaurants were transferred from franchisee to franchisee and one restaurant was transferred from corporate to a franchisee. 40 franchises were open as of March 31, 2019. These 40 are owned by 17 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2019 two corporate owned restaurants were contributing to operational activities: a net change of one. One of the corporate restaurants was sold to a franchisee, which led to a net total of two corporate stores. As of March 31, 2019, the combined number of stores being operated by both franchisees and corporate was 42.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is prepared to assist in understanding the Company's financial statements. The financial statements and related notes are representations of the Company's management. Management is responsible for these the integrity and objectivity of these statements and notes.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimated.

Fair Value of Financial Instruments

The Company had no financial instruments at the balance sheet dates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Company's primary operating receivables are comprised of franchise sales fees, area sales representative fees, royalty fees, advertising and advertising administration based on reported sales by franchisees in the month of activity that have not yet been collected.

Notes Receivable from Affiliates or Family Members of Management

At March 31, 2020 and 2019, \$593,724 and \$607,245, respectively, of notes receivable are due from affiliates. The affiliates are well financed. Management believes these funds are fully collectible.

Interest income on all notes receivable during the fiscal years ended March 31, 2020 and 2019 were \$11,340, and \$19,190, respectively.

Advances to or from Affiliates or Family Members of Management

At March 31, 2020 and 2019, \$345,044 and \$1,305,877 were the net funds advance to affiliates. Management believes these funds are fully recoverable.

Policy for Recognizing Income

Beginning in the fiscal year ended March 31, 2019, the Company recognizes current asset accounts receivable as those receivables collected with-in two months of the year end. This methodology is intended to approximate the income recognition principle that is generally accepted in the United States of America.

Fixed Assets

Property and equipment are stated at cost. Depreciation is computed on property and equipment using the straight-line method over the expected useful lives of these assets.

Intangible Assets

For the years ended March 31, 2020 and 2019, goodwill has been evaluated for its future utility. Management believes that goodwill is not impaired.

In March of 2019, the Company settled a lawsuit with a long-term business partner. The business partner is also a franchisee. As a result of the settlement, in accordance with the principle of recognizing all liabilities, a portion of the settlement was set up as a deferred asset. This deferred asset will be amortized based on declining present values of future cash flows in a manner consistent with the new accounting principle related to operating leases.

Franchise Operations

When new franchises are sold, income is recognized in the period earned. Franchise fees are based upon individual franchise agreements. Management's financial obligation to franchisees after the sale of the franchise is a function of advertising commitments.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Royalty fees are charged to franchisees based upon an agreed upon rate of their monthly sales, net of sales tax. Advertising coop fees are charged to California franchisees. Non-California franchisees do not pay coop fees during the current development phase. When sufficient franchises have been established, then coop fees are expected to be charged.

Interest Income

Interest income is recognized as collected. Related costs required to collect are neither tracked nor considered to be material.

Advertising Costs

The Company expenses its costs for advertising when incurred. Such costs are included in operating expenses.

Income Taxes

The Company is organized as a limited liability company taxed as a partnership. Accordingly, there are no federal income taxes. California does charge a combination of the minimum franchise tax, \$800 per year, and its peculiar gross income tax on revenues in excess of \$250,000.

3. FRANCHISE FEE REVENUES

The Company's obligation resulting from franchise agreements is to provide operating procedures, initial training, location, and construction assistance. The Company considers that its obligations are substantially completed when the agreement is signed by the new franchisee.

Franchise fees are negotiated for area development agreements.

Fees are payable immediately upon agreement.

4. CONCENTRATION OF CREDIT RISK

Management is not aware of any particular credit risk with respect to independent franchisees. There is not an abundance of cash concentrated in any one financial institution.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

5. RELATED-PARTY TRANSACTIONS

The company has the following types of related-party transactions:

1. Inter-company activity from management staff that works at corporate owned restaurants and get paid through either the Company or its parent. Corporate owned restaurants are family owned. The corporate owned stores and the company engage in comingled commerce. These costs are allocated on a rational basis to the benefiting units.
2. For the years ended March 31, 2020 and 2019, corporate owned restaurants paid royalties of \$45,275 and \$16,024, respectively.
3. Executive staff that are paid by either the Company or its parent but spend parts of each day working on projects that may benefit one, some or all of the affiliated entities. The parent company is Jimboy's Tacos, Inc. (JTI). JTI is owned by several family members of the founder.
4. On March 31, 2015, a family member signed an agreement to purchase the right to be the area representative for southern California. At March 31, 2020 and 2019, this resulted in \$273,529 and \$760,448, respectively owed to the company. On April 1, 2019 much of the 2019 amount was transferred to JTI as part of a restructuring plan. Management considers the remaining amount to be entirely collectible.
5. JTI, the primary owner of the Company, owns intellectual property and certain other valuables. During the period ended March 31, 2020 and 2019 royalties and management fees were blended and all categorized as royalty payments. Total payments accrued equal \$490,445 and \$203,556, respectively. In the year ended March 31, 2020 royalties plus management fees increased from a historical rate over the previous three years of four (4%) to eight (8%) percent to eighteen (18%) percent.
6. As explained in Note 10, at March 31, 2019 there was a note payable to a prominent family member which was set at arm's length within IRS guidelines. This note was transferred to JTI. The liability and related party receivables were offset at their historical costs. The difference was treated as a capital withdrawal. At the same time the contracted royalties and management fees were increased, see bullet point 5, above.

6. COMMITMENTS AND CONTINGENCIES

The company is a defendant in a lawsuit regarding failed restaurants and the area development agreement. The exposure with respect to refunding the area development agreement is \$125,000. The plaintiffs are also suing for legal fees and damages. The company is countersuing for unpaid royalties and advertising cooperative reimbursements. The Company's lawyer asserts that insufficient discovery has occurred to draw a conclusion about the likely outcome. To quote:

At present, it is extremely difficult to evaluate the likely outcome of the case, but the documentary evidence and discussions with management suggest that a favorable outcome for Jimboy's is probable. However, on a conservative approach, there is a moderate potential or likelihood for an unfavorable outcome in this action, and if Jimboy's is found to have violated the Franchise Investment Law and/or made material misrepresentation to Plaintiffs, a damage award could be significant.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS

Fixed assets are comprised of the following at:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Computers and technology equipment	\$ 22,689	\$ 21,571
Accumulated Depreciation	(21,538)	(20,518)
Net fixed Assets	<u>\$ 1,151</u>	<u>\$ 1,053</u>

Management considers fixed assets to be stated at their highest and best use value, which is equal to their cost.

Depreciation expense for the period ended March 31, 2020 and 2019 totaled \$1,021 and \$1,669, respectively. Depreciation on computers and technology equipment is recorded on the straight-line basis over five years.

8. LEASES AND SETTLEMENTS

The only lease entered into by the Company is its real estate lease. The company is responsible for paying the cost of repairs and maintenance.

Future minimum lease commitments are as follows:

<u>Fiscal Year Ending:</u>	<u>Amount</u>
3/31/2021	\$ 105,239
3/31/2022	108,422
3/31/2023	111,656
3/31/2024	114,992
3/31/2025	<u>118,432</u>
Total	<u>\$ 558,741</u>

Rental payments during the year ended March 31, 2020 and 2019 were \$94,193 and \$96,731, respectively. Of those, minimum lease payments were \$89,624 and \$87,057, respectively. The remainder was common area cost, and month to month rentals

In March 2019, the Company settled a lawsuit with a business partner. In the settlement the company agreed to certain commitments to pay cash at future times. These future cash flows are represented on the balance sheet at their present value. The Company believes that an interest rate of six percent (6%) is reasonable for this calculation. A portion of the settlement is a flat payment due in March 2021. The second portion of the agreement is for monthly payments for the next ten years.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

8. LEASES AND SETTLEMENTS (continued)

Future settlement commitments and their present value:

<u>Fiscal Year Ending:</u>	<u>Amount</u>
3/31/2021	\$ 212,400
3/31/2022	62,400
3/31/2023	62,400
3/31/2024	62,400
3/31/2025	62,400
Payments through 3/31/2029	<u>249,600</u>
Total	<u>\$ 711,600</u>

The discounted present value of the settlement at March 31, 2020 and 2019 was \$574,635 and \$601,881, respectively.

9. GOODWILL

Under the rules of Fair Value Accounting, goodwill is a level three asset. Management believes that goodwill is not impaired.

10. NOTES PAYABLE

On March 31, 2020 the company has a one-year maturity note with American River Bank for up to \$500,000 at an interest rate of 6.25 percent per annum. This loan is collateralized by a blanket UC. Principle is due on September 5, 2020. The balance on March 31, 2020 was \$432,250, which is included in Credit cards & short-term commercial notes payable.

The note payable formerly with the principal financial backer was set at 2.8 percent per annum, maturing in November 2023. The note was not collateralized; and there were no restrictive covenants. The note was being amortized through fixed monthly payments. The note value changes from time to time with additional advances or supplemental payments. The note had occasional additional offsets from time to time.

On April 1, 2019, this note was taken over by the principle partner, Jimboy's Tacos, Inc. Accordingly, there are no future cash flows associated with this note.

All interest paid was expensed.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

11. INCOME TAXES

The provision for income taxes consists of the state minimum tax imposed on corporations plus the state gross income tax on limited liability companies.

Accounting principles generally accepted in the United States of America require disclosure of positions taken by an organization in its tax returns that might be uncertain. Management considers that its tax positions taken on federal and California tax returns are more likely than not to be sustained on examination. Years for which the Company could have its tax returns examined are all periods dating back to the period ended March 31, 2016, the initial year of operation. Management is not aware of any plans by the government to perform an examination.

12. UNPAID COMPENSATED ABSENCES

For the years ended March 31, 2020 and 2019, unpaid compensated absences were calculated at \$29,919 and \$31,709, respectively.

13. INTEREST EXPENSE

All interest paid was expensed during the years. No interest was capitalized.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2020, the day before the financial statements were available to be issued. For the period following March 31, 2020, management has not become aware of any subsequent events that would materially impact the financials.

JIMBOY'S NORTH AMERICA L.L.C.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2019 and 2018

JIMBOY’S NORTH AMERICA L.L.C.

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Kenneth R. Cone, CPA

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Sacramento CA 95834
(916) 649-1040

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Jimboy's North America L.L.C.

I have audited the accompanying financial statements of Jimboy's North America L.L.C. (a Nevada organization) which comprise the balance sheet as of March 31, 2019 and 2018, and the related statements of income, changes in members' equity, cash flows and supplemental statements of operating expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jimboy's North America L.L.C. as of March 31, 2019 and 2018, 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.



Kenneth R. Cone, CPA
Sacramento, California

July 16, 2020

JIMBOY'S NORTH AMERICA L.L.C.

Balance Sheets

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
ASSETS		
<u>Current Assets</u>		
Cash & cash equivalents	\$ 93,762	\$ 20,387
Accounts receivable-net	91,241	628,348
Other current assets	2,173	1,050
Total Current Assets	187,176	649,785
<u>Fixed Assets</u>		
Equipment-net	1,053	2,721
<u>Other Assets</u>		
Loans to related parties and franchisees	2,184,032	1,910,050
Security deposit	9,348	9,348
Deferred asset-settlement obligation	601,881	
Goodwill	44,075	44,075
Total Other Assets	2,839,336	1,963,473
Total Assets	\$ 3,027,565	\$ 2,615,979
LIABILITIES AND MEMBERS' EQUITY		
<u>Current Liabilities</u>		
Accounts payable	\$ 377,734	\$ 181,658
Credit cards & short-term commercial notes payable	176,964	191,036
Payroll liabilities & other accruals	41,300	50,558
Short term loan from related party	62,000	
Current portion of long-term notes	62,400	72,368
Total Current Liabilities	720,398	495,620
Long-Term Liabilities		
Commercial line of credit refinanced with long-term funds		499,000
Settlement liability	539,481	
Note payable-family member	1,748,087	1,233,512
Total Long-Term Liabilities	2,287,568	1,732,512
Total Liabilities	\$ 3,007,966	\$ 2,228,132
<u>Members' Equity</u>	19,599	387,847
Total Liabilities & Equity	\$ 3,027,565	\$ 2,615,979

See accompanying notes to financial statements

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Income

	April 1, 2018 <u>March 31, 2019</u>	April 1, 2017 <u>March 31, 2018</u>
Revenue		
Franchise Royalty Income	\$ 1,379,959	\$ 1,207,292
Advertising Cooperative Reimbursement	769,044	657,176
Advertising Administration	137,119	120,321
Vendor & other rebates	313,187	144,998
Franchise Sales & Area Representative Income	53,750	282,500
Interest Income	19,190	34,654
Other Revenues	<u>17,468</u>	<u>75,169</u>
Total Revenue	2,689,717	2,522,110
Expenses		
Finance, Administration & IT	1,035,664	839,223
Operations	344,436	260,955
Marketing	868,991	818,450
Research and Development	105,912	108,397
Sales	184,675	153,341
Development	<u>503,028</u>	<u>451,303</u>
Total Expenses	<u>3,042,706</u>	<u>2,631,669</u>
Net Income before California Franchise Taxes	(352,989)	(109,559)
Provision for state income taxes & LLC fees	<u>15,259</u>	
Net income after taxes	<u>\$ (368,248)</u>	<u>\$ (109,559)</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Changes in Members' Equity

For the year ended March 31, 2019

	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 387,847
Net Income		<u>(368,248)</u>
Ending Members' Equity	<u>97,500</u>	<u>\$ 19,599</u>

For the year ended March 31, 2018

	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 497,406
Net Income		<u>(109,559)</u>
Ending Members' Equity	<u>97,500</u>	<u>\$ 387,847</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Cash Flow

	<u>April 1, 2018</u> <u>March 31, 2019</u>	<u>April 1, 2017</u> <u>March 31, 2018</u>
Cash flow from Operating Activities:		
Net Income (loss)	\$ (368,248)	\$ (109,559)
Non-cash Adjustments:		
Depreciation	1,669	4,206
(Increase) decrease in net accounts receivable	537,106	(113,770)
(Increase) decrease in other current assets	(1,123)	(1,050)
Increase (decrease) in accounts payable	196,076	113,527
Increase (decrease) in credit cards & short-term notes payable	(14,072)	177,707
Increases in payroll liabilities and other accruals	(9,258)	(19,397)
Equity Exchanged for Labor		
Net cash used in operating activities	\$ 342,150	\$ 51,664
Investing Activities:		
Purchases of equipment	\$	\$ (50)
Establishment of security deposit		(1,250)
Funds advanced to (recovered from) affiliates	(273,982)	(287,837)
Purchase of goodwill		
Net cash used in investing activities	\$ (273,982)	\$ (289,137)
Financing Activities:		
Short-term loans from related party	\$ 62,000	\$ (126,000)
Change in current portion of long-term debt	(72,368)	6,878
Commercial line of credit refinanced with long-term funds	(499,000)	499,000
Long-term financing from related party	514,575	(276,698)
Membership capital contributions		
Net cash provided by financing activities	\$ 5,207	\$ 103,180
Net cash increase/(decrease) for period	\$ 73,375	\$ (134,293)
Cash and cash equivalents, beginning of period	20,387	154,680
Cash and cash equivalents, end of period	<u>\$ 93,762</u>	<u>\$ 20,387</u>
Cash basis interest and income taxes paid:		
Interest paid	\$ 117,845	\$ 67,090
Income taxes paid	\$ -	\$ -

JIMBOY'S NORTH AMERICA L.L.C.

Supplemental Statements of Operating Expenses

Expenses	April 1, 2018 through March 31, 2019	April 1, 2017 through March 31, 2018
	3,042,706	2,631,669
Finance, Administration & IT	\$ 1,035,664	\$ 839,223
Administrative personnel expenses	263,609	247,433
Travel	14,692	24,958
Technology	16,609	3,603
Office administration expenditures	41,330	46,920
Banking fees & other	24,341	23,544
Occupancy - rent	96,731	104,701
Occupancy - utilities & repairs	(408)	16,712
Depreciation	1,669	4,206
Interest Expense	117,845	67,090
Bad debt expense	93,537	-
Professional fees	162,153	197,151
Royalties & management fees (related party)	203,556	102,905
Operations	344,436	260,955
Franchise support personnel expenses	275,106	210,578
Travel	66,502	46,915
Technology overhead	2,520	3,462
Professional fees	308	
Marketing	868,991	818,450
Marketing personnel expenses	190,813	116,265
Travel	13,602	10,912
Overhead expenses	5,787	3,291
Professional fees	8,400	7,568
Program expenses	655,387	680,414
Research and Development	105,912	108,397
R&D personnel expenses	98,171	103,122
Travel	2,999	3,581
Technology & overhead	4,719	1,329
Professional fees	23	365
Sales	184,675	153,341
Sales personnel expenses	168,302	143,690
Travel	6,617	6,042
Technology & supplies	1,116	180
Professional fees	(45)	390
Program expenses	8,685	3,039
Development	503,028	451,303
Development Personnel expenses	387,587	283,346
Travel	71,368	75,199
Technology & overhead	12,253	13,113
Professional fees	31,820	79,645

JIMBOY'S NORTH AMERICA L.L.C.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Jimboy's North America L.L.C., (the Company) was incorporated in June 2012 in the state of Nevada. The Company is engaged in the business of franchising Jimboy's Tacos restaurants throughout the world. When the Company was organized it consummated an agreement to take over being the franchisor for existing franchise restaurants.

During the year ended March 31, 2019, two new franchised restaurants opened and no restaurants were transferred from franchisee to franchisee and one restaurant was transferred from corporate to a franchisee. 40 franchises were open as of March 31, 2019. These 40 are owned by 17 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2019 two corporate owned restaurants were contributing to operational activities: a net change of one. One of the corporate restaurants was sold to a franchisee; which led to a net total of two corporate stores. As of March 31, 2019, the combined number of stores being operated by both franchisees and corporate was 42.

During the year ended March 31, 2018, two new franchised restaurants opened and 2 restaurants were transferred from Franchisee to Franchisee and 1 restaurant was transferred from corporate to franchisee. 38 franchises were open as of March 31, 2018. These 38 are owned by 17 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2018 3 corporate owned restaurants were contributing to operational activities: 0 net change. Two of the corporate restaurants were sold to franchisees. One corporate store was sold to a franchisee for a net total of 2 corporate stores. As of March 31, 2018, the combined number of stores being operated by both franchisees and corporate was 40.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is prepared to assist in understanding the Company's financial statements. The financial statements and related notes are representations of the Company's management. Management is responsible for these the integrity and objectivity of these statements and notes.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimated.

Fair Value of Financial Instruments

The Company had no financial instruments at the balance sheet dates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Company's primary operating receivables are comprised of franchise sales fees, area sales representative fees, royalty fees, advertising and advertising administration based on reported sales by franchisees in the month of activity that have not yet been collected.

At March 31, 2019 and 2018, none and \$60,968, respectively, of accounts receivable are due from an affiliate. The affiliate is well financed. Management believed these funds were fully collectible. In addition, at March 31, 2019, \$270,910 of primarily area representative accounts receivable owed by an affiliate was classified as non-current assets to allow the area affiliate time to develop the region.

Notes Receivable from Affiliates or Family Members of Management

At March 31, 2019 and 2018, \$607,245 and \$482,820, respectively, of notes receivable are due from affiliates. The affiliates are well financed. Management believes these funds are fully collectible.

Interest income on all notes receivable during the fiscal years ended March 31, 2019 and 2018 were \$19,190, and \$34,654, respectively.

Advances to or from Affiliates or Family Members of Management

At March 31, 2019 \$1,305,877 was the net funds advance to affiliates. Management believed these funds were fully recoverable.

Policy for Charging Off Uncollectible Receivables

In the fiscal year ended March 31, 2018, Company policy was to off uncollectible receivables when a restaurant closes or upon negotiation of debt forgiveness. Management believed that all receivables as of March 31, 2018 were collectible.

Beginning in the fiscal year ended March 31, 2019, the Company recognizes current asset accounts receivable as those receivables collected with-in two weeks of the year end. This methodology is intended to approximate the new income recognition principle.

Fixed Assets

Property and equipment are stated at cost. Depreciation is computed on property and equipment using the straight-line method over the expected useful lives of these assets.

Intangible Assets

As of March 31, 2018, intangible assets consisted of goodwill. For the years ended March 31, 2019 and 2018, goodwill has been evaluated for its future utility. Management believes that goodwill is not impaired.

In March of 2019, the Company settled a lawsuit with a long-term business partner. The business partner is also a franchisee. As a result of the settlement, in accordance with the principle of recognizing all liabilities, a portion of the settlement was set up as a deferred asset. This deferred asset will be amortized based on declining present values of future cash flows in a manner consistent with the new accounting principle related to operating leases.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Franchise Operations

When new franchises are sold, income is recognized in the period earned. Franchise fees are based upon individual franchise agreements. Management's financial obligation to franchisees subsequent to sale of the franchise is a function of advertising commitments.

Royalty fees are charged to franchisees based upon an agreed upon rate of their monthly sales, net of sales tax. Advertising coop fees are charged to California franchisees. Non-California franchisees do not pay coop fees during the current development phase. When sufficient franchises have been established, then coop fees are expected to be charged.

Revenue Recognition

The Company's primary revenues consist of royalties and advertising cooperative fees from the franchisees. Initial fees and royalties from franchisees are recognized in the period earned. Advertising coop fees are recognized in the month earned in the same manner as royalties are recognized.

Advertising Costs

The Company expenses its costs for advertising when incurred. Such costs are included in operating expenses.

Income Taxes

The Company is organized as a limited liability company taxed as a partnership. Accordingly, there are no federal income taxes. California does charge a combination of the minimum franchise tax, \$800 per year, and its peculiar gross income tax on revenues in excess of \$250,000.

3. FRANCHISE FEE REVENUES

The Company's obligation resulting from franchise agreements is to provide operating procedures, initial training, location, and construction assistance. The Company considers that its obligations are substantially completed when the agreement is signed by the new franchisee.

Franchise fees are negotiated for master franchise agreements.

Fees are payable immediately upon agreement.

4. CONCENTRATION OF CREDIT RISK

Management is not aware of any particular credit risk with respect to independent franchisees. There is not an abundance of cash concentrated in any one financial institution.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

5. RELATED-PARTY TRANSACTIONS

The company has the following types of related-party transactions:

1. Inter-company activity from management staff that works at corporate owned restaurants and gets paid through the Company. Corporate owned restaurants are family owned. The corporate owned stores and the company engage in comingled commerce. These costs are allocated on a rational basis to the benefiting units.
2. For the years ended March 31, 2019 and 2018, corporate owned restaurants paid royalties of \$16,024 and \$43,112, respectively.
3. Executive staff that are paid by the Company but spend parts of each day working on projects that may benefit one, some or all of the affiliated entities. Jimboy's Tacos, Inc. (JTI) is owned by several family members of the founder.
4. On March 31, 2015, a family member signed an agreement to purchase the right to be the area representative for southern California. At March 31, 2019 and 2018, this resulted in \$760,448 and \$485,736, respectively owed to the company. Management considers this to be entirely collectible.
5. JTI owns intellectual property and certain other valuables. During the period ended March 31, 2019 and 2018 royalties and management fees were blended and all categorized as royalty payments. Total payments paid or accrued equal \$203,556 and \$102,905, respectively.
6. As explained in Note 10, there is a note payable to a prominent family member which is set at arm's length within IRS guidelines.

6. COMMITMENTS AND CONTINGENCIES

At March 31, 2019 there were no unresolved commitments or contingencies. See note eight for a discussion of future cash flows resulting from a lawsuit that was settled before March 31, 2019.

7. FIXED ASSETS

Fixed assets are comprised of the following at:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Computers and technology equipment	\$ 21,571	\$ 21,571
Accumulated Depreciation	(20,518)	(18,849)
Net fixed Assets	<u>\$ 1,053</u>	<u>\$ 2,721</u>

Management considers fixed assets to be stated at their highest and best use value, which is equal to their cost.

Depreciation expense for the period ended March 31, 2019 and 2018 totaled \$1,669 and \$4,206, respectively. Depreciation on computers and technology equipment is recorded on the straight-line basis over five years.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

8. LEASES AND SETTLEMENTS

The only lease entered into by the Company is its real estate lease. The company is responsible for paying the cost of repairs and maintenance.

Future minimum lease commitments are as follows:

<u>Fiscal Year Ending:</u>	<u>Amount</u>
3/31/2020	\$ 89,624
3/31/2021	<u>7,487</u>
Total	<u>\$ 97,111</u>

In March 2019, the Company settled a lawsuit with a business partner. In the settlement the company agreed to certain commitments to pay cash at future times. These future cash flows are represented on the balance sheet at their present value. The Company believes that an interest rate of six percent (6%) is reasonable for this calculation. A portion of the settlement is a flat payment due in March 2021. That portion has been expensed as having no future benefit. The second portion of the agreement is for monthly payments for the next ten years. That portion mimics the annuity that the company avoided by entering in to the cause of action that led to the settlement. Accordingly, that portion is being accounted for as a future expense to be recorded as the settlement is paid.

Rental payments during the year ended March 31, 2019 were \$96,731, which included minimum lease payments \$87,057, common area costs, and month to month rentals. Rental payments during the year ended March 31, 2018 were \$104,501, which included minimum lease payments \$84,277, common area costs, and month to month rentals.

Future settlement commitments and their present value:

<u>Fiscal Year Ending:</u>	<u>Amount</u>
3/31/2020	\$ 62,400
3/31/2021	212,400
3/31/2022	62,400
3/31/2023	62,400
3/31/2024	62,400
Payments through 3/31/2029	<u>312,000</u>
Total	<u>\$ 774,000</u>

The discounted present value of the settlement at March 31, 2019 was \$601,881.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

9. INTANGIBLE ASSETS

In addition to goodwill, intangible assets at March 31, 2019 includes a deferred asset for the settlement described at Note 8. The discounted present value of the deferred asset at March 31, 2019 was \$468,382.

Intangible assets were comprised of the following at March 31, 2018:

Goodwill, at cost	<u>\$44,075</u>
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Under the rules of Fair Value Accounting, goodwill is a level three asset. Management believes that goodwill is not impaired.

10. NOTES PAYABLE

The note payable with the principal financial backer is 2.8 percent per annum, maturing in November 2023. The note is not collateralized; and, there are no restrictive covenants. The note is being amortized through fixed monthly payments. The note value changes from time to time with additional advances or supplemental payments. The note has occasional additional offsets from time to time.

On April 1, 2019, this note was taken over by the principle partner, Jimboy's Tacos, Inc. Accordingly, there are no future cash flows associated with this note.

All interest paid was expensed.

11. INCOME TAXES

The provision for income taxes consists of the state minimum tax imposed on corporations plus the state gross income tax on limited liability companies.

Accounting principles generally accepted in the United States of America require disclosure of positions taken by an organization in its tax returns that might be uncertain. Management considers that its tax positions taken on federal and California tax returns are more likely than not to be sustained on examination. Years for which the Company could have its tax returns examined are all periods dating back to the period ended March 31, 2015, the initial year of operation. Management is not aware of any plans by the government to perform an examination.

12. UNPAID COMPENSATED ABSENCES

For the years ended March 31, 2019 and 2018, unpaid compensated absences were calculated at \$31,709 and \$50,558, respectively.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

13. INTEREST EXPENSE

All interest paid was expensed during the years. No interest was capitalized.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2020, the date the financial statements were available to be issued. For the period following March 31, 2019, management has not become aware of any subsequent events that would materially impact the financials.

15. CHANGE IN CONSISTENCY OF PRESENTATION

A significant account receivable with an affiliated customer was moved from current assets to long-term assets to accurately reflect the fact that the receivable has not been collected within one year of March 31, 2019.

16. NONCASH INVESTING AND FINANCING TRANSACTIONS

The investing and financing aspects of the settlement described in Note 8 was excluded from the cash flow statement. As of March 31, 2019, no actual cash had changed hands.

17. GOING CONCERN

Given the losses incurred by the Company during the two years ended March 31, 2019, the question of whether Jimboys North America, LLC is fair. As a reaction to these losses, the Company dramatically cut expenses such that there appear to be sufficient profits in the following year to demonstrate long-term survival.

JIMBOY'S NORTH AMERICA L.L.C.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2018 and 2017

JIMBOY’S NORTH AMERICA L.L.C.

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Statements of Changes in Members’ Equity	5
Statements of Cash Flows	6
Supplemental Statement of Operating Expenses	7
Notes to Financial Statements	8

Kenneth R. Cone, CPA

5000 Barnaby Court
Sacramento CA 95834
(916) 649-1040

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Jimboy's North America L.L.C.

I have audited the accompanying financial statements of Jimboy's North America L.L.C. (a Nevada organization) which comprise the balance sheet as of March 31, 2018 and 2017, and the related statements of income, changes in members' equity, cash flows and supplemental statements of operating expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jimboy's North America L.L.C. as of March 31, 2018 and 2017, 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.



Kenneth R. Cone, CPA
Sacramento, California

June 27, 2018

JIMBOY'S NORTH AMERICA L.L.C.

Balance Sheets

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
ASSETS		
<u>Current Assets</u>		
Cash & cash equivalents	\$ 20,387	\$ 154,680
Accounts receivable-net	628,348	514,578
Other current assets	<u>1,050</u>	<u></u>
Total Current Assets	649,785	669,258
<u>Fixed Assets</u>		
Equipment-net	2,721	6,877
<u>Other Assets</u>		
Loans to related parties and franchisees	1,910,050	1,622,213
Security deposit	9,348	8,098
Goodwill	<u>44,075</u>	<u>44,075</u>
Total Other Assets	<u>1,963,473</u>	<u>1,674,386</u>
Total Assets	<u>\$ 2,615,979</u>	<u>\$ 2,350,521</u>
LIABILITIES AND MEMBERS' EQUITY		
<u>Current Liabilities</u>		
Accounts payable	\$ 181,658	\$ 68,131
Credit cards & short-term commercial notes payable	191,036	13,329
Payroll liabilities & other accruals	50,558	69,955
Short term loan from related party		126,000
Current portion of long-term notes	<u>72,368</u>	<u>65,490</u>
Total Current Liabilities	<u>495,620</u>	<u>342,905</u>
<u>Long-Term Liabilities</u>		
Commercial line of credit refinanced with long-term funds	499,000	
Note payable-family member	<u>1,233,512</u>	<u>1,510,210</u>
Total Long-Term Liabilities	1,732,512	1,510,210
Total Liabilities	\$ 2,228,132	\$ 1,853,115
<u>Members' Equity</u>	<u>387,847</u>	<u>497,406</u>
Total Liabilities & Equity	<u>\$ 2,615,979</u>	<u>\$ 2,350,521</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Income

	<u>April 1, 2017</u> <u>March 31, 2018</u>	<u>April 1, 2016</u> <u>March 31, 2017</u>
Revenue		
Franchise Royalty Income	\$ 1,207,292	\$ 1,061,539
Advertising Cooperative Reimbursement	657,176	571,709
Advertising Administration	120,321	106,561
Vendor & other rebates	144,998	308,018
Franchise Sales & Area Representative Income	282,500	160,000
Interest Income	34,654	31,796
Other Revenues	<u>75,169</u>	<u>45,614</u>
Total Revenue	2,522,110	2,285,237
Expenses		
Finance, Administration & IT	839,223	905,966
Operations	260,955	229,931
Marketing	818,450	555,059
Research and Development	108,397	66,512
Sales	153,341	121,031
Development	<u>451,303</u>	<u>289,524</u>
Total Expenses	<u>2,631,669</u>	<u>2,168,023</u>
Net Income before California Franchise Taxes	(109,559)	117,214
Provision for state income taxes & LLC fees	<u></u>	<u>4,945</u>
Net income after taxes	<u>\$ (109,559)</u>	<u>\$ 112,269</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Changes in Members' Equity

For the year ended March 31, 2018		
	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 497,406
Net Income		(109,559)
Ending Members' Equity	<u>97,500</u>	<u>\$ 387,847</u>

For the year ended March 31, 2017		
	<u>Shares Issued</u>	<u>Amount</u>
Beginning Members' Equity	97,500	\$ 142,826
Capital Contribution		242,311
Net Income		112,269
Ending Members' Equity	<u>97,500</u>	<u>\$ 497,406</u>

JIMBOY'S NORTH AMERICA L.L.C.

Statements of Cash Flow

	<u>April 1, 2017</u> <u>March 31, 2018</u>	<u>April 1, 2016</u> <u>March 31, 2017</u>
Cash flow from Operating Activities:		
Net Income (loss)	\$ (109,559)	\$ 112,269
Non-cash Adjustments:		
Depreciation	-	4,315
(Increase) decrease in net accounts receivable	(113,770)	40,338
(Increase) decrease in other current assets	(1,050)	28,099
Increase (decrease) in accounts payable	113,527	(20,977)
Increase (decrease) in credit cards & short-term notes payable	177,707	(17,217)
Increases in payroll liabilities and other accruals	(19,397)	7,921
Equity Exchanged for Labor		
Net cash used in operating activities	\$ 47,458	\$ 154,748
Investing Activities:		
Purchases of equipment	\$ 4,156	\$ 100
Establishment of security deposit	(1,250)	(1,895)
Funds advanced to affiliates	(287,837)	(822,389)
Purchase of goodwill		
Net cash used in investing activities	\$ (284,931)	\$ (824,184)
Financing Activities:		
Short-term loans from related party	\$ (126,000)	\$ 126,000
Change in current portion of long-term debt	6,878	(8,177)
Commercial ling of credit refinanced with long-term funds	499,000	
Long-term financing from related party	(276,698)	431,996
Membership capital contributions		242,311
Net cash provided by financing activities	\$ 103,180	\$ 792,130
Net cash increase/(decrease) for period	\$ (134,293)	\$ 122,694
Cash and cash equivalents, beginning of period	154,680	31,986
Cash and cash equivalents, end of period	<u>\$ 20,387</u>	<u>\$ 154,680</u>
Cash basis interest and income taxes paid:		
Interest paid	\$ -	\$ 8,493
Income taxes paid	\$ -	\$ 6,800

JIMBOY'S NORTH AMERICA L.L.C.

Supplemental Statements of Operating Expenses

Expenses	April 1, 2017 through March 31, 2018	April 1, 2016 through March 31, 2017
	2,631,669	2,168,023
Finance, Administration & IT	\$ 839,223	\$ 905,966
Administrate personnel expenses	247,433	384,267
Travel	24,958	8,129
Technology & supplies	3,603	2,043
Office administration expenditures	46,920	72,529
Banking fees & other	23,544	7,809
Occupancy - rent	104,701	82,630
Occupany - utilites & repairs	16,712	23,521
Depreciation	4,206	4,315
Interest Expense	67,090	47,398
Bad Debt Expense	-	2,347
Professional fees	197,151	108,878
Royalties & management fees (related party)	102,905	162,100
Operations	260,955	229,931
Franchise support personnel expenses	210,578	151,865
Travel	46,915	72,418
Technology & supplies	3,462	4,148
Professional fees		1,500
Marketing	818,450	555,059
Marketing personnel expenses	116,265	99,825
Travel	10,912	6,438
Technology & supplies	3,291	1,976
Professional fees	7,568	4,112
Program expenses	680,414	442,708
Research and Development	108,397	66,512
R&D personnel expenses	103,122	63,005
Travel	3,581	807
Technology & supplies	1,329	700
Professional fees	365	2,000
Sales	153,341	121,031
Sales personnel expenses	143,690	111,378
Travel	6,042	7,838
Technology & supplies	180	1,423
Professional fees	390	392
Program expenses	3,039	
Development	451,303	289,524
Development Personnel expenses	283,346	198,506
Travel	75,199	65,171
Technology & supplies	13,113	5,739
Professional fees	79,645	20,108

JIMBOY'S NORTH AMERICA L.L.C.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Jimboy's North America L.L.C., (the Company) was incorporated in June 2012 in the state of Nevada. The Company is engaged in the business of franchising Jimboy's Tacos restaurants throughout the world. When the Company was organized it consummated an agreement to take over being the franchisor for existing franchise restaurants.

During the year ended March 31, 2018, two new franchised restaurants opened and 2 restaurants were transferred from Franchisee to Franchisee and 1 restaurant was transferred from corporate to franchisee. 38 franchises were open as of March 31, 2018. These 38 are owned by 17 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2018 3 corporate owned restaurants were contributing to operational activities: 0 net change. Two of the corporate restaurants were sold to franchisees. One corporate store was sold to a franchisee for a net total of 2 corporate stores. As of March 31, 2018, the combined number of stores being operated by both franchisees and corporate was 40.

During the year ended March 31, 2017, one new franchised restaurant opened and one existing store was relocated. 35 franchises were open as of March 31, 2017. These 35 are owned by 16 franchisees. Franchisees own from one to eight restaurants. In addition, at the end of the year ended March 31, 2017 3 corporate owned restaurants were contributing to operational activities: down by two in the fiscal year ended March 31, 2017. Two of the corporate restaurants were sold to franchisees. One corporate store closed. One corporate store was opened. As of March 31, 2017, the combined number of stores being operated by both franchisees and corporate was 38.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is prepared to assist in understanding the Company's financial statements. The financial statements and related notes are representations of the Company's management. Management is responsible for these the integrity and objectivity of these statements and notes.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimated.

Fair Value of Financial Instruments

The Company had no financial instruments at the balance sheet date.

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Company's primary operating receivables are comprised of franchise sales fees, area sales representative fees, royalty fees, advertising and advertising administration based on reported sales by franchisees in the month of activity that have not yet been collected.

At March 31, 2018 and 2017, \$60,968 and \$11,644, respectively, of accounts receivable are due from an affiliate. The affiliate is well financed. Management believes these funds are fully collectible.

Notes Receivable from Affiliates or Family Members of Management

At March 31, 2018 and 2017, \$482,820 and \$449,162, respectively, of notes receivable are due from affiliates. The affiliates are well financed. Management believes these funds are fully collectible.

Interest income on all notes receivable during the fiscal years ended March 31, 2018 and 2017 were \$34,654, and \$31,796, respectively.

Policy for Charging Off Uncollectible Receivables

The Company writes off uncollectible receivables when a restaurant closes or upon negotiation of debt forgiveness. Management believes that all receivables as of March 31, 2018 are collectible.

Fixed Assets

Property and equipment are stated at cost. Depreciation is computed on property and equipment using the straight-line method over the expected useful lives of these assets.

Intangible Assets

Intangible assets consist of goodwill. Goodwill has been evaluated for its future utility. Management believes that goodwill is not impaired.

Franchise Operations

When new franchises are sold, income is recognized in the period earned. Franchise fees are based upon individual franchise agreements. Management's financial obligation to franchisees subsequent to sale of the franchise is a function of advertising commitments.

Royalty fees are charged to franchisees based upon an agreed upon rate of their monthly sales, net of sales tax. Advertising coop fees are charged to California franchisees. Non-California franchisees do not pay coop fees during the current development phase. When sufficient franchises have been established, then coop fees are expected to be charged.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

The Company's primary revenues consist of royalties and advertising cooperative fees from the franchisees. Initial fees and royalties from franchisees are recognized in the period earned. Advertising coop fees are recognized in the month earned in the same manner as royalties are recognized.

Advertising Costs

The Company expenses its costs for advertising when incurred. Such costs are included in operating expenses.

Income Taxes

The Company is organized as a limited liability company taxed as a partnership. Accordingly, there are no federal income taxes. California does charge a combination of the minimum franchise tax, \$800 per year, and its peculiar gross income tax on revenues in excess of \$250,000.

3. FRANCHISE FEE REVENUES

The Company's obligation resulting from franchise agreements is to provide operating procedures, initial training, location, and construction assistance. The Company considers that its obligations are substantially completed when the agreement is signed by the new franchisee.

Franchise fees are negotiated for master franchise agreements.

Fees are payable immediately upon agreement.

4. CONCENTRATION OF CREDIT RISK

Management is not aware of any particular credit risk with respect to independent franchisees. There is not an abundance of cash concentrated in any one financial institution.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

5. RELATED-PARTY TRANSACTIONS

The company has the following types of related-party transactions:

1. Inter-company activity from management staff that works at corporate owned restaurants and gets paid through the Company. Corporate owned restaurants are family owned. The corporate owned stores and the company engage in comingled commerce. These costs are allocated on a rational basis to the benefiting units.
2. For the years ended March 31, 2018 and 2017, corporate owned restaurants paid royalties of \$43,112 and \$21,793, respectively.
3. Executive staff that are paid by the Company but spend parts of each day working on projects that may benefit one, some or all of the affiliated entities. Jimboy's Tacos, Inc. (JTI) is owned by several family members of the founder.
4. During the year ended March 31, 2017 the company advanced or converted from accounts receivable to notes receivable \$822,389.
5. On March 31, 2015, a family member signed an agreement to purchase the right to be the area representative for southern California. At March 31, 2018 and 2017, this resulted in \$485,736 and \$714,555, respectively owed to the company. Management considers this to be entirely collectible.
6. JTI owns intellectual property and certain other valuables. During the period ended March 31, 2018 and 2017 royalties and management fees were blended and all categorized as royalty payments. Total payments paid or accrued equal \$102,905 and \$162,100, respectively.
7. As explained in Note 10, there is a note payable to a prominent family member which is set at arm's length within IRS guidelines.

6. COMMITMENTS AND CONTINGENCIES

Jimboy's North America, LLC ("JNA"), and its predecessor(s) have historically issued franchises through Jimboy's Marketing, Inc. ("JMI"). JMI, in turn, managed the franchisees. In 2012, JNA did not renew the JMI Master Franchise Agreement, took over management of third-party franchisees directly, and entered into a transition agreement and a short-term management consulting contract (the "Consulting Agreement") with JMI. The Consulting Agreement had an initial term of 1 year, with an automatic renewal for a second year. Prior to the end of the fourth year (and fourth term), JNA gave notice to JMI that the Consulting Agreement would not be renewed. JMI has asserted that the Consulting Agreement automatically renews absent a breach of JMI's obligations under the Consulting Agreement. JMI has commenced a lawsuit in the Sacramento Superior Court (Case No. 34-2016-00194586) in May of 2016 alleging a breach of the Consulting Agreement as a result of JNA's termination (the "Lawsuit").

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

6. COMMITMENTS AND CONTINGENCIES (continued)

The Lawsuit also brought actions for fraud and conspiracy and named officers of JNA for individual liability. Those claims were dismissed from the Lawsuit as were the named officers. JNA has filed an answer as to the remaining claims of breach of the Consulting Agreement and a challenged to the legal sufficiency of a franchise termination notice sent by JNA to Bellagrace, Inc., a franchisee operated by principals related to JMI.

The Lawsuit is currently in a discovery phase. Legal advisors anticipate that they will file a motion for summary judgment to have the court decide as a matter of law whether failure to renew the Consulting Agreement was breach and whether termination of the Bellagrace, Inc. franchise was legally sufficient. Legal counsel is unable to express the likelihood of an unfavorable outcome or any amount or range of possible loss at this time.

7. FIXED ASSETS

Fixed assets are comprised of the following at:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Computers and technology equipment	\$21,571	\$21,621
Accumulated Depreciation	(18,849)	(14,644)
Net fixed Assets	<u>\$2,721</u>	<u>\$6,877</u>

Management considers fixed assets to be stated at their highest and best use value, which is equal to their cost.

Depreciation expense for the period ended March 31, 2018 and 2017 totaled \$4,206 and \$4,315., respectively. Depreciation on computers and technology equipment is recorded on the straight-line basis over five years.

8. LEASES

The only lease entered into by the Company is its real estate lease. The company is responsible for paying the cost of repairs and maintenance.

Future minimum lease commitments are as follows:

<u>Fiscal Year Ending:</u>	<u>Amount</u>
3/31/2019	\$87,057
3/31/2020	89,624
3/31/2021	7,487
Total	<u>\$184,168</u>

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

8. LEASES (continued)

Rental payments during the year ended March 31, 2018 were \$104,501, which included minimum lease payments \$84,277, common area costs, and month to month rentals. For the year ended March 31, 2017, comparable amounts were \$82,630 and \$79,143, respectively.

9. INTANGIBLE ASSETS

Intangible assets are comprised of the following at March 31, 2018 and 2017:

Goodwill, at cost	<u>\$44,075</u>
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Under the rules of Fair Value Accounting, goodwill is a level three asset. Management believes that goodwill is not impaired.

10. NOTES PAYABLE

The note payable with the principal financial backer is 2.8 percent per annum, maturing in November 2023. The note is not collateralized; and, there are no restrictive covenants. The note is being amortized through fixed monthly payments. The note value changes from time to time with additional advances or supplemental payments. The note has occasional additional offsets from time to time.

All interest paid was expensed.

The combined aggregate amounts of maturities over the next five years:

<u>Fiscal year ending:</u>	<u>Amount</u>
3/31/2019	\$ 72,368
3/31/2020	74,420
3/31/2021	76,531
3/31/2022	78,702
3/31/2023	<u>80,934</u>
Total	<u>\$382,955</u>

11. INCOME TAXES

The provision for income taxes consists of the state minimum tax imposed on corporations plus the state gross income tax on limited liability companies.

Accounting principles generally accepted in the United States of America require disclosure of positions taken by an organization in its tax returns that might be uncertain. Management considers that its tax positions taken on federal and California tax returns are more likely than not to be sustained on examination. Years for which the Company could have its tax returns examined are all periods dating back to the period ended March 31, 2014, the initial year of operation. Management is not aware of any plans by the government to perform an examination.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

12. UNPAID COMPENSATED ABSENCES

For the years ended March 31, 2018 and 2017, unpaid compensated absences were calculated at \$50,558 and \$44,009, respectively.

13. INTEREST EXPENSE

All interest paid was expensed during the years. No interest was capitalized.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 27, 2018, the date the financial statements were available to be issued.

During June 2018, the related entity that owns corporate restaurants repaid a portion of intercompany advances. As a result, the Company's cash position has improved from the value shown on the balance sheet, approximately \$20,000 to approximately \$90,000.

In late May 2018 the Company decided to close the Alisa Viejo Store. As a condition of closure, a note receivable from the franchisee was forgiven. This results in a loss during the fiscal year end March 31, 2019 of \$93,537 that was considered valuable as of March 31, 2018.

Subsequent to March 31, 2018 the company refinanced a commercial short-term line of credit with long-term financing from a family member. As a result, \$499,000 that would have been classified as current liability was treated as long-term debt on the financial statement.

Although management is quite confident that the long-term prospects for the company are promising, in order to allay any concerns with liquidity, the company arranged a commitment from a family member to be willing to inject an additional \$350,000 in cash. This commitment expires June 30, 2019.

Corporate legal counsel is in the process of a corporate restructuring of the Jimboy's family of organizations. As part of that restructuring, it is contemplated that in excess of \$900,000 of debt owed by JNA or its affiliates and/or subsidiaries to a family member or entities under his/her control will be converted into equity ownership of JNA, either directly or indirectly through one or more of JNA's stockholders/parent entities. These transactions are expected to be completed no later than August 2018.

Management asserts that there were no other material subsequent events.

JIMBOY'S NORTH AMERICA L.L.C.
NOTES TO FINANCIAL STATEMENTS

15. CHANGE IN CONSISTENCY OF PRESENTATION

Due to a reorganization of the profit and loss accounts, expenses are not consistently presented with past years. In order to facilitate the transition, 2017 expenses, along with 2018 expenses are presented in more detail in a supplemental schedule.

All other aspects of the income statement are comparable. That is, the timing and methodology for recognizing expenses has not changed.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	_____, 2020

Other states may require registration filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit

H

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is Jimboy's North America LLC located at 80 Iron Point Circle, Suite 105, Folsom, California 95630, Telephone: (916) 934-5100.

If we offer you a franchise, we 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. New York and Rhode Island require that we provide this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that we provide this Disclosure Document at the earlier of the first personal meeting or 14 calendar-days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we provide this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and appropriate state agency listed in Exhibit D.

The franchise seller(s) for this offering are Erik Freeman, Todd Swideski, James Freeman and Karen Freeman, at 80 Iron Point Circle, Suite 105, Folsom, California 95630, (916) 934-5100. Any additional individual franchise sellers involved in offering the franchise are:

The registered agents authorized to receive service of process are listed in Exhibit D.

Issuance Date: October 8, 2020

I received a disclosure document dated October 8, 2020 that included the following Exhibits:

- A. Franchise Agreement and Related Materials including Personal Guaranty
- B. Area Development Agreement
- C. Confidentially Agreement
- D. State Agents and State Administrators
- E. State Addenda
- F. Current and Former Franchisees
- G. Financial Statements
- H. Receipt

Date Franchise Disclosure Document Received: _____

Signed: _____

Print Name: _____

FRANCHISEE'S COPY

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Signed: _____

Print Name: _____

FRANCHISOR'S COPY