

FRANCHISE DISCLOSURE DOCUMENT

Johnny Rockets Licensing, LLC
A Delaware limited liability company
1855 Boston Road, Suite 300
Wilbraham, Massachusetts 01095
1-888-856-4669

www.johnnyrockets.com



Received
LA Mailroom

AUG 26 2019

Department of
Business Oversight

The franchisee will operate a "Johnny Rockets Restaurant" which serves made-to-order hamburgers, crispy fries, chili, hand-spun shakes and malts, classic sandwiches and other menu items in a distinctive setting. We also offer qualifying franchisees the right to develop multiple Johnny Rockets Restaurants under an Area Development Agreement.

The total investment necessary to begin operation of a Johnny Rockets Restaurant is from \$598,000 to \$1,137,000, which includes \$30,000 to \$35,000 that must be paid to us or our affiliates. The total initial investment necessary to enter into a Johnny Rockets Area Development Agreement is from \$30,500 to \$107,000 (assuming, for the low end of the range, 3 Johnny Rockets Restaurants and, for the high end of the range, 10 Johnny Rockets Restaurants, although this is not a maximum), which includes \$30,500 to \$107,000 that must be paid to us or our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Erika Christiansen at The Johnny Rockets Group, Inc., 1855 Boston Road, Suite 300, Wilbraham, MA 01095, via telephone at 888-856-4669 or via email at FranchiseAdmin@johnnyrockets.com.

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

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

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

Issuance Date: May 15, 2019, as amended August 22, 2019.

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE THAT ALL DISAGREEMENTS BE ARBITRATED AND LITIGATED ONLY WHERE THE PRINCIPAL OFFICES OF JOHNNY ROCKETS LICENSING, LLC ARE LOCATED WHICH CURRENTLY IS WILBRAHAM, MASSACHUSETTS. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST MORE TO ARBITRATE OR LITIGATE IN ORANGE COUNTY INSTEAD OF YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT MASSACHUSETTS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS OTHER LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$598,000 To \$1,137,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 30, 2018, WHICH IS \$(48,782).
4. THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN THE FRANCHISOR'S FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Registration States Effective Dates: See following page.

STATE EFFECTIVE DATES

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

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

<u>STATE</u>	<u>EFFECTIVE DATE</u>
CALIFORNIA	July 18, 2019, as amended _____, 2019
HAWAII	May 29, 2019, as amended _____, 2019
ILLINOIS	June 28, 2019, as amended _____, 2019
INDIANA	May 22, 2019, as amended August 22, 2019
MARYLAND	July 11, 2019, as amended _____, 2019
MICHIGAN	May 22, 2019, as amended _____, 2019
MINNESOTA	August 1, 2019, as amended _____, 2019
NEW YORK	
NORTH DAKOTA	July 31, 2019, as amended _____, 2019
RHODE ISLAND	May 23, 2019, as amended _____, 2019
SOUTH DAKOTA	May 22, 2019, as amended August 22, 2019
VIRGINIA	May 30, 2019, as amended _____, 2019
WASHINGTON	
WISCONSIN	May 22, 2019, as amended _____, 2019

In all other states, the effective date of this Franchise Disclosure Document is the Issuance Date of May 15, 2019, as amended August 22, 2019.

DISCLOSURES REQUIRED BY MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition of the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

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EXHIBITS

- A List of Agents for Service of Process and State Administrators
- B Restaurant Franchise Agreement
- C Area Development Agreement
- D Gift Card Participation Agreement
- E General Release
- F Confidentiality Agreement
- G List of Franchisees and Area Developers
- H Financial Statements (including a Guarantee of Performance)
- I Additional Information Required By Certain States
- J Receipts

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, "we," "us," and "JRL" refer to Johnny Rockets Licensing, LLC, the Franchisor. "You" refers to the person or legal entity that buys the franchise, the Franchisee. If you are a corporation, partnership or limited liability company, certain provisions of this Disclosure Document also apply to your owners and will be noted.

JRL was originally a California corporation incorporated on December 5, 1986. On June 3, 2011, JRL was converted to a California limited liability company. In September 2018, JRL was converted to a Delaware limited liability company. Our principal place of business is 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095. We do business under the names "Johnny Rockets" and "Johnny Rockets The Original Hamburger." JRL does not operate any restaurants. We have franchised Johnny Rockets Traditional Restaurants since 1987. We have not offered franchises in any other line of business. Our agents for service of process in various states are listed in Exhibit A.

Our Parents and Affiliates

The Johnny Rockets Group, Inc. ("TJRG"), a Delaware corporation, is our direct parent. Johnny Rockets International, LLC ("JRI"), was the direct parent of JRL beginning in April 1990. In October 1996, JRI became a wholly-owned subsidiary of TJRG. In July 2017, JRI merged with and into TJRG. JRI had owned and operated Johnny Rockets Restaurants since its inception in August 1988. TJRG is a wholly-owned subsidiary of JR Group Holdings, LLC ("JRGH"), a Delaware limited liability company. TJRG and JRGH have the same corporate address as JRL.

In June 2013, JRGH became a wholly-owned subsidiary of Johnny Rockets Holding Co. ("JRHC"), a newly-formed Delaware corporation. JRHC's principal place of business is the same as JRL. JRHC is a wholly-owned subsidiary of Sundae Group Holdings I, LLC ("Sundae Group Holdings"), a Delaware limited liability company located at 5200 Town Center Circle, Suite 600, Boca Raton, Florida 33486. Sundae Group Holdings is our ultimate parent company.

As of December 30, 2018, JRI and TJRG operated 13 Johnny Rockets Restaurants. Except as noted below, none of our parents or affiliates (including TJRG, JRI, JRGH, JRHC and Sundae Group Holdings) have ever offered franchises for Johnny Rockets Restaurants or in any other line of business. TJRG and JRI occasionally sell to our franchisees existing Johnny Rockets Restaurants that are operated by TJRG or JRI.

We are affiliated with a portfolio of companies owned by Sun Capital Partners, Inc. ("Sun Capital") located at 5200 Town Center Circle, Suite 600, Boca Raton, Florida 33486. The following are the Sun Capital affiliates that offered franchises in the 2017 fiscal year:

1. BL Restaurant Franchises, LLC ("Bar Louie") has operated Bar Louie restaurants since 1990 and has offered franchises since 2005. As of the end of its last fiscal year (December 26, 2018), Bar Louie had a total of 112 company-owned and 20 franchised restaurants operating in 26 states and the District of Columbia and no foreign countries. Bar Louie's principal address is 4550 Beltway Drive, Addison, Texas 75001. Bar Louie has not offered franchises in any other line of business.
2. Friendly's Franchising, LLC ("Friendly's") and its predecessor Friendly's Restaurants Franchise, LLC, has offered Friendly's® franchises since 1996. In October 2011, Friendly's parent, Friendly's Ice Cream Corporation ("Friendly's Corp"), filed petitions for bankruptcy

under Chapter 11 of the US Bankruptcy Code and on January 9, 2012, Friendly's Corp sold all of its assets (including Friendly's) to Friendly's Ice Cream, LLC ("FIC-LLC") and its subsidiaries. As of the end of its last fiscal year (December 30, 2018), the Friendly's restaurant system had a total of 201 restaurants, including 100 company-operated restaurants, 99 franchised restaurants, 1 non-traditional company-operated restaurant, and 1 non-traditional franchise restaurant, operating in 14 states and no foreign countries. Friendly's principal address is 1855 Boston Road, Suite 200, Wilbraham, Massachusetts 01095. Friendly's has not offered franchises in any other line of business.

Pursuant to a Shared Services Agreement effective as of July 27, 2016, certain employees of Friendly's direct parent, FIC Restaurants, Inc. ("FICR"), may be directed, as independent contractors acting on our behalf, to fulfill some of our duties and obligations under existing and future franchise agreements and development agreements, including marketing and offering new and renewal franchise agreements and development agreements, identifying and developing new locations and providing required support to franchisees. Pursuant to the same Shared Services Agreement, certain employees of TJRG may be directed, as independent contractors, to fulfill some of Friendly's duties and obligations under their existing and future franchise agreements and development agreements. Effective September 12, 2017, we restructured our management team. As a result, the Johnny Rockets and Friendly's systems share common senior management such that certain individuals who are employees and executive officers of the TJRG are also employees and executive officers of FICR. See Item 2.

None of our parents or affiliates currently provide products or services to our franchisees, but reserve the right to do so in the future. We have no other parents or affiliates that must be included in this Item. We do not have any predecessors.

Johnny Rockets Restaurants

Johnny Rockets Restaurants offer a menu of lunch and dinner products featuring made-to-order hamburgers, crispy fries, chili, hand-spun shakes and malts, classic sandwiches and other menu items in a distinctive setting. Some Johnny Rockets Restaurants may serve breakfast and some may serve beer, wine and alcohol. The menu items offered at a Johnny Rockets Restaurant may vary depending on the size, type, and location of the Restaurant. Some Johnny Rockets Restaurants also offer for sale certain branded merchandise including clothing, souvenirs, and novelty items. All Johnny Rockets Restaurants must be operated using unique and distinctive systems developed by JRL, which include distinctive restaurant layouts and designs, equipment specifications, plans and advertising, specifically designed packaging materials, proprietary business forms and accounting systems, proprietary seasonings, approved vendors, Johnny Rockets' Confidential Operations Manuals ("Manuals"), training courses, and procedures for the distribution of products ("Johnny Rockets System").

Area Development Agreement

If you are approved as a franchisee, you may develop and operate one Restaurant under a Restaurant Franchise Agreement (Exhibit B) or, if you and the area in which you are interested meet certain qualifications, you can buy the rights to develop multiple Restaurants under an Area Development Agreement (Exhibit C). For each Restaurant you open under your Area Development Agreement, after we approve the site for the restaurant ("Restaurant Site"), you must sign a separate Restaurant Franchise Agreement for each site on our then-current form of Restaurant Franchise Agreement, which may be different than the Restaurant Franchise Agreement in Exhibit B.

If you are an existing Johnny Rockets Restaurant franchisee, and are signing the Restaurant Franchise Agreement for the development of an additional Restaurant, you must sign a General Release (Exhibit E), which releases, effective as of the date of signing of the Restaurant Franchise Agreement, all claims you may have against JRL and our officers, directors, shareholders and employees, in their corporate and individual capacities, including claims arising under federal, state and local laws, rules and ordinances.

Rules and Regulations/Market Competition

You must comply with all local, state and federal laws and regulations applicable to the operation of your Restaurant, including health, sanitation, food and beverage handling, food preparation, waste disposal, smoking restrictions and advertising and point-of-sale disclosures, including statements concerning the nutritional and dietary characteristics of the food served at your Restaurant. If you offer beer and wine at your Restaurant, you must comply with all laws relating to the sale of beer and wine, including obtaining all necessary licenses and permits. There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney concerning all laws and regulations that may affect your Restaurant operations.

The restaurant business is highly competitive. You will compete with quick-service and casual dining restaurants, including national and regional restaurant chains. The ability of each Restaurant to compete depends on its location, ingress and egress, signage, parking, service, employee attitudes, overhead, changing local market and economic conditions, and many other factors both within and outside your control.

ITEM 2

BUSINESS EXPERIENCE

President and Chief Executive Officer – Michael Nolan George Michel

Mr. Nolan joined JRL as President in August 2017, and was named George Michel was appointed Chief Executive Officer of JRL on August 19, 2019 and has been Chief Executive Officer in September 2018. Prior to joining JRL, Mr. Nolan served as President of Little Brown Box Pizza, LLC (d/b/a Pieology Pizzeria) in Rancho Santa Margarita, California from March 2017 to July 2017; of FICR/EFL since October 1, 2018. From October 2010 to May 2018, Mr. Michel served as Chief Executive Officer and President of Icon Burger Acquisition LLC (d/b/a Smashburger) in Denver, Colorado from February 2016 to November 2016; as Chief Development Officer for IFCB LLC (the owner of the Corner Bakery Concept) in Dallas, Texas from May 2014 to January 2016; and as Chief Development Officer for Bloomin' Brands, Inc. in Tampa, Florida from June 2012 to March 2014 of Boston Market Corporation in Golden, Colorado.

Executive Vice President, Chief Financial Officer, Treasurer and Secretary – T. Todd Schwendenmann

Mr. Schwendenmann joined JRL as Chief Financial Officer, Treasurer and Assistant Secretary in July 2016. On September 12, 2017, he was also appointed Secretary of JRL. Mr. Schwendenmann also serves Friendly's and FICR as Executive Vice President, Chief Financial Officer and Secretary, since August 2014 in Wilbraham, Massachusetts. From January 2012 to August 2014, he served as Treasurer of Friendly's and FICR in Wilbraham, Massachusetts.

Vice President, General Counsel – Stephanie Doan

Ms. Doan was appointed Vice President, General Counsel of JRL in January 2019. She was appointed Franchise and Real Estate Counsel of JRL and Friendly's in September 2017. From October 2016 to September 2017, she served as Vice President, General Counsel for Stone Song, LLC, in St. Paul, Minnesota, and from June 2011 to October 2016, she served as Vice President, General Counsel and Corporate Secretary for Amplifon (USA), Inc., in Plymouth, Minnesota.

Vice President of Global Development – David L. Panella

Mr. Panella was appointed Vice President of Domestic Development of JRL, Friendly's and FICR in September 2017 and was promoted to Vice President of Global Development in February 2019. From June 2013 to September 2017, he served Friendly's and FICR as Senior Director of Design and Construction and from October 2009 to June 2013 he served Friendly's and FICR as Director of Design & Construction, in Wilbraham, Massachusetts.

Senior Vice President of Operations and Training – Kathy Watkins

Ms. Watkins was appointed Senior Vice President of Operations and Training of JRL in March 2019. She was appointed Vice President of Global Training and Operations Services of JRL in July 2018 based in Palm Beach Shores, Florida. From January 2007 to January 2018, she served as Vice President, Learning and Development for Panera, LLC in Saint Louis Missouri.

Senior Vice President of Marketing – Linda SanGiacomo

Ms. SanGiacomo was appointed Senior Vice President of Global Marketing of JRL in March 2019. She joined JRL in January 2018, where she served as VP Brand Strategy & Innovation in Wilbraham, MA. From June 2000 to January 2018, she held multiple positions in Marketing and Advertising, for Dunkin' Brands Group, Inc. based in Canton, MA.

Senior Director of Operations Services and Global Training – Sheri Davenport

Ms. Davenport first joined Johnny Rockets in November 2003 as an Assistant General Manager and later as a Certified Training Manager. She was promoted to a District Manager in March 2007. She was the Director of Training and Operation Services from March 2013 to March 2019 when she was promoted to her current position.

ITEM 3

LITIGATION

John of Arc Inc., et al v. The Johnny Rockets Group, Inc., Johnny Rockets Licensing, LLC, The Coca-Cola Company, Inc., Redzone Capital Management Company, LLC, WFI Stadium Inc, et al.; Superior Court of the State of California, County of Orange; Case No. 00849339CXC; Filed: April 29, 2016.

On April 29, 2016, a class action lawsuit was filed against us, Johnny Rockets Group, Inc. (collectively, "Johnny Rockets"), The Coca-Cola Company, Inc., Redzone Capital Management Company and WFI Stadium, Inc. The class is defined as all Johnny Rockets franchisees from January 1, 2007 up to and including the date of class certification. The complaint alleges fraud, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, interference with prospective economic relations

and violation of the California Unfair Practices Act, based upon allegations that (i) Johnny Rockets received "secret rebates" from Coca-Cola based upon purchases of Coca-Cola syrup by its franchisees, and (ii) Johnny Rockets had an opportunity to purchase Pepsi Cola syrup at a lower cost and, because of that, should have changed from Coca-Cola to Pepsi Cola. The complaint seeks damages, restitution, an injunction and attorney's fees. In July 2016, the case was removed to the U.S. District Court, Central District of California (Southern Division), where Johnny Rockets, joined by the other defendants, moved to compel arbitration and for a stay. On September 7, 2016, Johnny Rockets' motion was granted. The case is currently stayed pending arbitration; however, arbitration proceedings have not yet commenced. Johnny Rockets intends to vigorously defend the matter.

Other than the above action, there is no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

On October 5, 2011, Friendly's Restaurants Franchise, LLC, along with its parent, Friendly Ice Cream Corporation, and several affiliates (the "Debtors") filed petitions in the United States Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code. These petitions are jointly administered on the docket as Case No. 11-13167. On June 28, 2012, the plan for liquidation of the Debtors was confirmed by the Court. Liquidation is proceeding. Todd Schwendenmann was Treasurer, and David Panella was Director of Design and Construction, of the Debtors. We have no affiliation with the Debtors.

Other than the above description, no bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

Subject to the provisions below, we currently charge an Initial Franchise Fee of \$25,000 per Restaurant. Unless you have signed an Area Development Agreement, the Initial Franchise Fee is due in one lump sum when you sign the Restaurant Franchise Agreement. No portion of the Initial Franchise Fee is refundable.

To provide support to the veterans of the United States military, we offer qualified United States military veterans a 25% discount on the Initial Franchise Fee, which program is described in more detail below.

During our last fiscal year, we collected Initial Franchise Fees ranging from \$0 to \$49,000. The instances where less than \$49,000 was collected were the result of multi-unit commitments in non-traditional venues, such as amusement parks, casinos and universities, where operations are normally seasonal or sporadic.

Area Development Fee

If you enter into an Area Development Agreement, you must pay us an Area Development Fee equal to \$10,000 multiplied by the number of Restaurants to be developed. Accordingly, the Area Development Fee will vary significantly depending on the number of Restaurants you agree to develop

under the Area Development Agreement. For example, the Area Development Fee would be \$30,000 for 3 Restaurants and \$100,000 for 10 Johnny Restaurants, although this is not a maximum.

The Area Development Fee is due in one lump sum when you sign the Area Development Agreement. For each Restaurant you develop under the Area Development Agreement, you will receive a credit of \$10,000 against the Initial Franchise Fee when you sign the Restaurant Franchise Agreement for the particular Restaurant.

We reserve the right to waive or defer all or a part of the Area Development Fee under certain circumstances where allowed by applicable law, and where an adjustment is warranted. An adjustment may be warranted depending on location expenses, number of Restaurants to be developed, or other similar demographic or economic factors. There is no formula by which the amount of the adjustment can be determined, as we evaluate each situation on an individual basis.

You must also reimburse us for our legal, accounting and other professional fees over \$5,000 incurred in connection with the negotiation and signing of the Area Development Agreement and related addenda and exhibits. We estimate that the reimbursement of those fees could range from \$500 to \$7,000. The Area Development Fee and the reimbursement of our legal, accounting and other professional fees are fully earned by us when paid, and are not refundable under any circumstances.

Training Fee

For your first Restaurant, there is no charge for you (or, in the case where you are a corporation or other legal entity, a principal or your "Control Person" as defined below) and up to three additional persons you designate as the managers or assistant managers responsible for the operation of the Restaurant to attend our Management Training Program. A minimum of two persons, one of which is you or your Control Person (as defined below), are required to complete our Management Training Program prior to the opening of your first Restaurant. For the second and third Restaurants that you develop, there is no charge for our Management Training Program for two persons you designate as the managers or assistant managers responsible for the operation of those Restaurants, both of which are required to complete the training.

Except as otherwise noted above, you will be required to pay us for any additional training we provide to you or your employees. For Restaurants, we charge a Management Training Fee of \$1,500 for each additional individual that attends our entire Restaurant Management Training Program. If the entire Management Training Program is not necessary for the additional training, a fee for such additional training will be agreed to by the parties before such management training begins. You also must pay the Management Training Fee for training replacement managers for any person who fails to complete the Management Training Program to our satisfaction and for additional personnel. Training Fees are not refundable under any circumstances. You must pay all costs and expenses attributable to the travel, room, board and wages of you and your Control Person, managers and assistant managers.

"Control Person" is the individual who has the authority to, and does in fact, actively direct your business affairs regarding the Restaurant, is responsible for overseeing the general management of the day-to-day operations of the Restaurant and has authority to sign on your behalf on all contracts and commercial documents. The Control Person must be listed in your Franchise Application.

If you schedule any training and subsequently delay or reschedule the training, you will be responsible for paying JRL all costs and expenses it incurs resulting from the delay or rescheduling (the "Cancellation Fee").

Development Agreement Schedule Extension Payments

We may, in our sole discretion, grant you one or more extensions to the Development Schedule in a Development Agreement, provided that you shall pay us a fee of not more than \$10,000 per month for each Restaurant for each extension. See paragraph 4C of Exhibit C. Extension fees are not refundable under any circumstances.

United States Military Veteran Program

To qualify and participate in our VetFran Program, you must be a United States veteran with a DD Form 214; be new to the Johnny Rockets System; own a majority interest in the franchised Restaurant; and, otherwise meet the requirements of our VetFran Program ("VetFran Participant"). If you qualify as a VetFran Participant, we will offer you a 25% discount on the Initial Franchise Fee. We may modify or discontinue the VetFran Program at any time.

ITEM 6

OTHER FEES

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
Royalty Fee	5% of weekly Net Sales	Payable weekly for the calendar week ending on Sunday at 12:00 p.m. on or before Friday of the next week	See Note 2 for a definition of Net Sales.
Marketing Fund Fee	Up to 4% of weekly Net Sales. Currently, the weekly Marketing Fund Fee is 1.75%, but we may increase the fee to an amount not to exceed 4.0%.	Same as weekly Royalty Fee	See Note 3

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Additional Advertising Contribution	A variable percentage of Net Sales if the owner(s) of at least two-thirds of the participating Restaurants in your advertising market agree to pay the additional contribution. If Johnny Rockets Restaurants, LLC operates two-thirds or more of the Restaurants in your advertising market, your total Additional Advertising Contributions at any one time cannot exceed 0.50% of Net Sales.	Same as Royalty above, but only as, if and when two-thirds of the participating Restaurants in your advertising market agree to pay the additional contribution	See Note 4
Cooperative Advertising	Up to 2.75% of Weekly Net Sales	To be established by each Co-Op Advertising Region. If we establish a Co-Op Advertising Region we presently anticipate that it will be governed by written articles and bylaws, which will be approved by a majority vote, based on one vote per Johnny Rockets Restaurant owned in each region.	If JRL forms a Co-Op Advertising Region, you must contribute to the Co-Op. Any amount you contribute to the Co-Op will be credited against your Marketing Fund Fee. Any corporate-owned Restaurants located in a Co-Op Advertising Region will contribute to the Co-Op, and each corporate-owned outlet will not have any more voting power on any fees imposed by any Co-Op than franchised outlets, except by voluntary agreement among the members of the particular Co-Op Advertising Region (as provided in the Bylaws of the particular Co-op, which may or may not require unanimous consent of its members).
Local Advertising	2% of Net Sales	Not paid to JRL. You must spend 2% of Net Sales annually on local advertising for your Restaurant.	Includes advertising published in local newspapers and promotional merchandise distributed to the local community. All local advertising must be submitted to JRL for its prior written approval. The Local Advertising expenditure is in addition to the Marketing Fund Fee and any Cooperative Advertising requirement.
Renewal Fee	Half of our then-current initial franchise fee (which currently would be \$12,500).	Upon the signing of the renewal Franchise Agreement	See Note 5

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Reimbursement of Insurance Costs	Cost of obtaining coverage	On demand	You must pay only if you fail to maintain or procure required insurance coverage and we obtain coverage for you.
Reimbursement of Repair Costs	Cost of repairs	On demand	If we discover any defects or unsatisfactory conditions at your Restaurant and you fail to correct or repair the condition, you must reimburse us for our repair costs and expenses, including meals, lodging, wages and transportation for our personnel inspecting the restaurant.
Transfer Fee	\$10,000	When you transfer your assets, the agreement, or an ownership change	There is no Transfer Fee if you transfer upon your death or disability or you transfer to a legal entity formed solely for convenience of ownership. Transfers are subject to our prior written consent and our then-current franchisee approval process and standards.
Audit	All amounts shown to be due, plus (i) interest equal to the lower of the maximum rate permitted by law or 15% per annum of the deficient amount; (ii) a late fee, for additional administrative fees incurred by us, equal to the greater of 10% of the deficient amount or \$250; and (iii) the cost of the audit.	On demand	You must pay audit costs only if audit shows an understatement of 1% or more of Net Sales for any period. Interest begins to accrue from the date of the underpayment.
Late Charges	The greater of 10% of the amount due or \$250, plus interest at the lower of the maximum rate permitted by law or 18% of the amount past due from the date a payment was due until it is paid.	Begins to accrue on the date the past due amount was due and continues to accrue until the past due amount is paid in full, including all Late Charges	
Costs and Attorney's Fees	Our costs and expenses	As incurred	If we prevail in any legal action arising out of your agreements with us, or a third party brings a legal action against us due to your actions or inactions you must pay our attorneys' fees and costs.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification	The losses and expenses incurred by JRL	As incurred	You must indemnify and hold JRL and our affiliates harmless in all actions arising out of or resulting from the development or operation of your Restaurant.
Supplier Review Fee	You must reimburse us for all costs and expenses incurred by us in reviewing or approving a supplier proposed by you, including any travel and lodging expenses we incur	As incurred	Except for those Approved Products where we have a designated single source approved supplier, you may request the right to purchase a product or supply not yet approved by us and/or from a supplier not yet approved in writing by us after we have an opportunity to review and approve or disapprove of the supply or supplier.
Taxes	You must reimburse us for any state or local taxes imposed on us due to our receipt or accrual of the Initial Franchise Fee, Royalty Fee, Marketing Fund Fee or other fees we collect under the terms of the Franchise Agreement.	On demand	
Relocation	Our costs and expenses, which likely will be between \$500 and \$5,000.	On demand	See Item 12.
InMoment Fee	\$115.38 quarterly	As incurred	InMoment is a customer feedback tool. You pay the InMoment Fee to us and we pass it through to InMoment.
EcoSure Fee	Approximately \$330 twice per year	As incurred	EcoSure is an independent third-party health and safety audit conducted twice per year. You pay the EcoSure Fee to us and we pass it through to EcoSure.

NOTES

1. Unless otherwise noted, all fees are imposed on franchisees and collected by and payable to JRL and are not refundable.
2. "Net Sales" means Gross Sales less specific deductions. "Gross Sales" are all revenues from the sale of all products or services by or for you or the Restaurant, in, upon, or from the Premises, or through or by means of the business conducted at the Restaurant, the premises or otherwise, whether derived from cash, credit, the redemption of coupons or gift certificates, or otherwise, and regardless of collection. To arrive at "Net Sales," deduct the following items from Gross Sales: (a) sales and service taxes collected from customers and paid to the appropriate taxing authority; (b) revenues from the sale of gift certificates; (c) the discounted portion of menu prices whether for

employee meals or by way of coupons, approved promotions or otherwise; (d) rebates or refunds to customers; and (e) revenues generated by promotional giveaways for the benefit of charitable organizations.

We may from time to time, in special circumstances, grant franchises for a lower royalty rate or a lower Marketing Fund rate. Factors such as a proposed franchisee's existing real estate holdings or ability to obtain superior sites in a highly competitive or unusual real estate market, prior experience, financial strength and commitment to develop or convert an unusually large number of restaurants in a short period of time, will be taken into account in this decision. We do not anticipate offering you, and do not promise to offer you, any such reduced fees.

3. The Marketing Fund Fee is currently 1.75% of weekly Net Sales. We have the right to increase to not more than 4% of Net Sales. If participation in a regional cooperative marketing fund is made mandatory in your region, you must then contribute some or all of your payments to the regional cooperative marketing fund rather than to our Marketing Fund. You are also required to spend at least 2% of Net Sales on local store marketing for your Restaurant. If an audit determines that you failed to do so in the previous Fiscal Year, we will have the right to increase your Marketing Fund Fee by 2% of Net Sales for a period of time equivalent to the number of years in which the audit reveals you failed to spend at least 2% of Net Sales for local store marketing.
4. Your contribution to the Marketing Fund is also subject to increase from time to time, whenever two-thirds of the participating restaurants in your media advertising market agree in writing to pay an additional advertising contribution. We will designate, and may from time to time change, the advertising market as we reasonably determine. No proposed additional advertising contribution may be for a period longer than one (1) year. More than one additional advertising contribution may be payable at one time.
5. Your renewal fee will be one-half of our then current initial franchise fee. As of the effective date of this Disclosure Document, the franchise renewal fee is \$12,500 for a ten (10) year renewal term. Upon renewal, your royalty, Marketing Fund and other fees during the renewal term will be our then-current fees, which may be higher than our current fees.

Area Development – Other Fees

If you sign an Area Development Agreement, you must sign a Restaurant Franchise Agreement and develop and open each Restaurant and commence business in accordance with the deadlines set forth in your Development Schedule. If you are unable to develop or to open and commence operating a Restaurant by the dates set forth in your Development Schedule, you may, subject to our approval, purchase from us an extension of time to develop and/or open the Restaurant (a "Schedule Extension"). The Schedule Extension fee will be not more than \$10,000 per month for each Restaurant for each extension. The Schedule Extension Fee is payable to JRL and is not refundable.

ITEM 7

ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$25,000	Lump sum or, if Area Development Agreement signed, two installments	When you sign the Restaurant Franchise Agreement	JRL

TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Architectural Design	\$15,000 - \$30,000	As required by architect	As required by architect	Approved architect
Leasehold Improvements ³	\$200,000 - \$450,000	Progress payments from beginning of construction until completion	According to payment schedule	Approved designer, architect, engineer and/or general contractor
Furniture, Fixtures and Equipment ⁴	\$175,000 - \$250,000	As required by contractors	According to payment schedule	Approved food service equipment contractor and distributor
Interior Décor Package ⁵	\$3,000 - \$15,000	Lump sum	As required by supplier	Approved supplier
Signs (Interior and Exterior) ⁶	\$20,000 - \$50,000	As required by contractor	As required by contractor	Approved sign contractor
Information and Technology Systems, POS System and Digital Menu Boards ⁷	\$25,000 - \$75,000	As required by supplier	As required by supplier	Approved cash register supplier and computer system supplier
Smallwares ⁸	\$12,000 - \$20,000	Lump sum	As required by supplier	Approved restaurant wares supplier
Initial Inventory ⁹	\$6,000 - \$8,000	Lump sum	As required	Approved various suppliers
Real Estate and Security Deposits ¹⁰	\$10,000 - \$18,000	Lump sum	As required	Landlord, lessor of personal property, utilities, insurance broker, etc.
Insurance and Performance Bonds	\$2,000 - \$6,000	Lump sum	As required	Approved insurance broker
Music, Jukebox and Sound System ¹¹	\$12,000 - \$18,000	Lump sum	As required	Approved equipment supplier
Training ¹²	\$18,000 - \$21,000	As required	As required	Transportation providers, hotels, restaurants and "Serve Safe" training provider
Pre-Opening Labor	\$14,000 - \$22,000	As required	As required	Employees
Grand Opening ¹³	\$10,000	As required	As required	Approved suppliers
Liquor License ¹⁴	\$4,000 - \$45,000	As arranged	As arranged	Appropriate state/local authorities or third parties

TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Miscellaneous (Legal, accounting, licenses, permits, etc.) ¹⁵	\$7,000 - \$14,000	Lump sum	As needed	Attorneys, accounting firms, governmental agencies, etc.
Additional Funds ¹⁶ (Initial Period – 3 months)	\$40,000 - \$60,000	Lump sum	As needed	Employees, taxing agencies, etc.
Totals¹⁷	\$598,000 - \$1,137,000			

NOTES FOR RESTAURANTS

1. **Amount.** These amounts are estimates based on the costs and expenses that would be incurred to establish a single Restaurant in a non-union, non-northern climate market. The costs and expenses for you to establish a Restaurant in a union market may result in higher costs. These estimates may vary with factors such as the size of the Restaurant, its location, economic conditions, local conditions of the site, the landlord's contribution to leasehold improvements, if any, the menu items offered at the Restaurant, local code or other requirements (e.g. union labor), availability of materials and labor, freight and delivery cost, taxes, interest rates and other items. In addition, in the case of freestanding buildings there may be additional signage and construction costs for exterior portions of the Restaurant.

The estimates do not take into account any financing charges, inflation, compensation for your time or labor, rent or interest payable before the Restaurant opens for business or related costs which you may have to pay. Costs paid to JRL (other than the Initial Franchise Fee, which is described in Item 5) are not refundable. None of the estimated expenditures paid to third parties are refundable, except (i) utility deposits are usually refundable, and (ii) lease security deposits may be refundable. Neither we nor any affiliate finance any part of the initial investment.

2. **Initial Fees.** The amount of the Initial Franchise Fee and the Area Development Fee and the manner in which they are paid are explained in detail in Item 5.
3. **Leasehold Improvements.** The estimated amount is prior to landlord contributions. The cost of construction and leasehold improvements depends upon the size and condition of the premises, the type of Restaurant, the local cost of contract work (including whether the local labor is union or non-union), and the location of the Restaurant (including whether the location is in a colder or milder climate.) The range of figures for a Restaurant is the cost of reasonable renovation or leasehold improvements, and may be less if the landlord provides a construction allowance to you. Included in the estimate are construction charge backs for landlord-provided work.
4. **Furniture, Fixtures and Equipment.** The estimated cost of furniture, fixtures and equipment includes counters, tables, chairs, and other similar materials, but the estimate does not include the (a) Interior Décor Package or signs, (b) a full restaurant information and point of sale cash collection system ("POS System"), (c) a music system, and (d) smallwares (cost estimates for (a) through (d) are provided separately). The cost of furniture, fixtures and equipment will vary, depending on the type of Restaurant, seating capacity of the facility, lease or finance terms available to you, the layout of the facility and other relevant factors. The equipment necessary for the

operation of a Restaurant includes grills, refrigerators and other similar equipment. You may purchase or lease only approved brands and models only from approved suppliers. The cost of the equipment will depend on financing terms available, the size of the facility and other factors.

5. **Interior Décor Package.** The Interior Décor Package includes pictures, wall coverings and other decorations as specified by JRL. No other unapproved pictures, wall coverings or decorations will be allowed.
6. **Signs (Interior and Exterior).** Includes all interior and exterior signs as specified and approved by JRL. No other signs will be allowed.
7. **Information and Technology Systems, POS and Digital Menu Boards.** Includes a full computer and POS System and digital menu boards for pay first venues. You are required to purchase a service contract for the POS System, the current annual cost for which is approximately \$2,200. The Item 7 estimated initial investment for the Information and Technology Systems & POS System does not include the cost for the annual service contract. This estimate for the Information and Technology Systems & POS System includes the costs for obtaining and implementing the gift card program.
8. **Smallwares.** Includes all flatware, drinking cups, pans, containers, kitchen utensils and other similar items as specified by JRL.
9. **Initial Inventory.** Your initial inventory may be purchased only from approved and designated products supplier or any supplier approved by JRL. Initial inventory consists of various food products, beverages, paper products, smallwares, cleaning supplies and other supplies utilized in the operation of the Restaurant as well as other merchandise or products sold by the Restaurant. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies and the menu items you offer at your Restaurant.
10. **Real Estate and Security Deposits.** Security deposits and other prepaid expenses will vary according to your particular circumstances and the particular circumstances of a given Restaurant. These figures include the estimated rent for the first month for typical Restaurants, which vary in size from 700 to 3,500 square feet. These estimates do not include the cost of real estate since it is assumed that you will rent the space for the Restaurant. Since real estate values vary dramatically from region to region, we cannot accurately estimate your rent. To estimate the rental expense for your Restaurant, apply the square footage requirements for your Restaurant to the local real estate rental costs in the area where your Restaurant will be located.

Security deposits or prepaid expenses are generally encountered for real property and personal property leases, insurance requirements and utility arrangements. Generally, the amount of each security deposit or prepaid expense is determined by the lease and the suppliers of utility, telephone and insurance services. Security deposits and prepaid expenses are held by the respective suppliers and may sometimes be refunded under the terms of the agreements or as regulated by law. You may obtain a bond in lieu of delivering the amount of the required prepaid expenses such as state sales taxes and utilities.
11. **Music, Jukebox and Sound System.** A full Restaurant sound system, speakers, controller, amplifier and digital full-size standup jukebox as provided by approved vendor. This includes a monthly management fee from music provider.

12. **Training.** Our Initial Restaurant Management Training Program lasts approximately four weeks and consists of 24 shifts of classroom and on-the-job training and self-study modules and applications. Prior to the opening of your first Restaurant, you (or, in the case where you are a corporation or other legal entity, a principal or Control Person who has been approved in writing by us) and one additional person designated by you as the manager or assistant manager responsible for the operation of the Restaurant must attend our Initial Restaurant Management Training Program. At your option, up to two additional persons designated by you as your Restaurant managers or assistant managers may also attend our Initial Restaurant Management Training Program. You must secure our prior written approval for any and all attendees of our Initial Restaurant Management Training Program, except for you or your Control Person.

Prior to the opening of your second or third Restaurants that you develop, at least two managers or assistant managers responsible for the operation of those Restaurants who have been approved by us in writing must complete our Restaurant Management Training Program. You must arrange for and pay the expenses of persons attending the Restaurant Management Training Program including transportation, lodging, meals and wages. The amount spent will depend, in part, on the distance you must travel and the type of accommodations you choose. If you send a replacement manager for any person who fails to complete the Restaurant Management Training Program to our satisfaction or additional personnel, you must pay a Training Fee of \$1,500 per person in addition to paying the expenses listed above. In addition to the Restaurant Management Training Program described above, there is a one (1) day "Serve Safe" training, provided by a third-party provider, that is required for anyone classified as a Control Person or anyone in a management position. You can schedule this training at a time and location of your convenience, but it must be completed prior to opening your Restaurant. The cost of the "Serve Safe" training ranges from approximately \$100 to \$150 per person and is included in the estimates provided above.

13. **Grand Opening.** Includes the cost of the advertising, promotion, events and publicity purchased in support of the Grand Opening of your Restaurant. All promotional, publicity and/or advertising materials, including, but not limited to, Internet advertising, must be approved by us before use.
14. **Liquor License.** If your Restaurant sells beer, wine and alcohol, it is solely your responsibility to obtain and maintain a liquor license. The cost of a liquor license can be significantly higher in a few states where the number of licenses is severely restricted or available only from an existing holder. You should retain legal counsel specialized in obtaining and maintaining liquor licenses.
15. **Miscellaneous (Legal, Accounting, Insurance, Licenses, Permits, etc.).** You must acquire various permits and licenses as required by governmental regulations and keep them in good standing and full force and effect. These may be either isolated or recurring expenditures. Typical of these permits and licenses are those from health departments, fire departments, food establishment regulatory agencies (including a liquor license, if applicable), labor departments, sales tax bureaus and other similar state or local governmental agencies. Those fees are determined by governmental authorities and are paid to them directly by you.
16. **Additional Funds.** These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries and uniforms for three months. However, we cannot guarantee that this amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. These figures assume that you will receive no operating income during this period, and cover only the following costs: real estate costs for the second and third month of operation (the first month's rent is covered under the "Real Estate and Security Deposits" line); cost of a minimal inventory of perishable food items; equipment rental; three months' payroll

and associated payroll costs for a minimal staff; workers' compensation and liability insurance; and telephone, utilities, and basic janitorial and maintenance supplies and services. The estimates do not cover Weekly Royalty Fees, Weekly Marketing Fees or other required advertising expenses, all of which vary depending on your sales levels, nor do they cover any interest or other financing costs you may incur, which will vary depending on how much you finance.

17. **Total.** We have prepared these estimates based on our experience and that of our management team. Except as expressly indicated otherwise, these estimates cover your initial cash investment up to the opening of your Restaurant. They do not provide for your cash needs to cover any financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from Restaurant to Restaurant and cannot be predicted by us for your Restaurant (and which may extend for longer than the three-month "initial period" described above). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or borrow against, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond.

The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your business, if any, which in turn will depend upon factors such as the demographics and economic conditions in the area in which your Restaurant is located, the presence of other Restaurants or public awareness of our business and Marks within the general vicinity of your proposed Restaurant, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your operation. Within thirty (30) days after completion of your Restaurant, you will be required to provide us with a breakdown of the actual costs you incurred in building your Restaurant.

YOUR ESTIMATED INITIAL INVESTMENT **Area Development Agreement**

TYPE OF EXPENDITURE	AMOUNT ²	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Area Development Fee ¹	\$30,000 - \$100,000	Lump sum	When you sign the Area Development Agreement	JRL
Professional Fees ³	\$500 - \$7,000	Lump Sum	As Incurred	JRL
Totals	\$30,500 - \$107,000			

NOTES FOR AREA DEVELOPMENT AGREEMENT

1. **Area Development Fee.** As described in Item 5, if you execute an Area Development Agreement, you must pay us an Area Development Fee in full when you sign the Area Development Agreement, which is fully earned when paid and not refundable under any circumstances. The Area Development

Fee equals \$10,000 multiplied by the number of Restaurants you agree to develop. Accordingly, the Area Development Fee will vary significantly depending on the number of Restaurants you agree to develop under the Area Development Agreement.

2. Area Development Fee Range Example. The low end of the Area Development Fee presented in this Item 7 is for 3 Restaurants and the high end is for 10 Johnny Restaurants (but this is not a maximum).

3. Professional Fees. You must reimburse us for our legal, accounting and other professional fees in excess of \$5,000 incurred in connection with the negotiation and signing of the Area Development Agreement and related addenda and exhibits.

4. Initial Investment for Each Restaurant Developed. If you sign an Area Development Agreement, your initial investment for the initial Restaurant you open under the Area Development Agreement will be as disclosed in the Item 7 tables above for individual Restaurants. You should be aware that your initial investment for your second and subsequent Restaurants likely will be higher than the above estimates for your first Restaurant due to inflation and other economic facts that may vary over time, although, as disclosed in Item 5, the Initial Franchise Fee for second and subsequent Restaurants is reduced depending on the number of Restaurants developed.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must use only ingredients, food products, spices, seasonings, mixes, beverages, materials, supplies used in the preparation of food products, furniture, fixtures, equipment, smallwares, forms, paper and plastic products and packaging and other materials that meet our standards and specifications ("Approved Products"). We may designate one or more specific manufacturers or suppliers for Approved Products (an "Approved Supplier"). Our Approved Products and Approved Suppliers are contained in The Johnny Rockets Group, Inc. Major Contracts Summary-Purchasing Document. You may not use a supplier for the purchase of any product or service not listed in this document.

All products and services must first be submitted as a "requested vendor/product" for approval by the Corporate Purchasing Department of JRG. Further, we reserve the right to designate a single source Approved Supplier or single source regional supplier (collectively, "Single Source Approved Suppliers") of certain Approved Products. From time to time, we, an affiliate or a designated third party may be that Single Source Approved Supplier. As of the date of this Disclosure Document, neither we nor our affiliate is a Single Source Approved Supplier. If we have not designated an Approved Supplier or Single Source Approved Supplier for particular Approved Products, you may purchase such products from suppliers you propose and we approve in writing, provided the proposed suppliers meet the standards we establish from time to time and the items to be purchased are in strict accordance with our specifications.

Proprietary Products

You must purchase exclusively from us or our affiliate (if we sell them) or our designated suppliers, our seasonings and certain other products used in the preparation of Johnny Rockets food products ("Proprietary Products"), the recipes for which are considered unique and their formulae and manufacturing processes constitute trade secrets of the Johnny Rockets System. The right to purchase and use the seasonings is granted under the Restaurant Franchise Agreement and lasts only for the duration of the Restaurant Franchise Agreement. Neither we nor our affiliates are currently designated suppliers or the

only suppliers of any Proprietary Products. Neither we nor our affiliates derived revenue from sales of the Proprietary Products to franchisees during our fiscal year ended December 30, 2018.

Trademarked Products

We may specify certain items of clothing (such as T-shirts, sweat shirts, jackets, caps, aprons and similar items), souvenirs (such as watches, pins and records) and other novelty items bearing our Marks ("Trademarked Products"), which must be offered for sale in your Restaurant. We will, upon your request, provide specifications for the Trademarked Products, and you may purchase them either from suppliers designated by us or from suppliers you choose who can meet our specifications and who sign a royalty-free trademark license in a form reasonably satisfactory to us. Occasionally, we will sell excess inventory of Trademarked Products to our franchisees. However, we do not derive any profit from the sale of this excess inventory to our franchisees. Neither we nor our affiliates are currently designated suppliers or the only suppliers of the Trademarked Products. Neither we nor our affiliates derived any revenue from sales of Trademarked Products to franchisees during our fiscal year ended December 30, 2018.

Other Products

As noted above, and to protect and maintain the reputation and goodwill of the Johnny Rockets System and our Marks, you must purchase Approved Products from Approved Suppliers and/or Single Source Approved Suppliers. Upon request, we will furnish to you a list of Approved Products, Approved Suppliers, Single Source Approved Suppliers and the specifications for other products where we do not designate Approved Suppliers or Single Source Approved Supplier.

Except for those Approved Products which we have designated an Approved Supplier or Single Source Approved Supplier, if you propose to use in the operation of your Restaurant any product, supply, material, furnishing or equipment which has not yet been approved by us as conforming to our specifications and quality standards and/or from a supplier not yet approved in writing by us as a supplier to our franchisees, you must first notify us in writing and must submit to us, upon request, sufficient specifications, photographs and other information and samples for examination and testing for our determination as to whether the product, supply, material or the supplier meets our specifications and standards. Our determination will be made and communicated to you within a reasonable time period (typically 90 days). If we do not respond to your request within 90 days, we will be deemed to have denied your request.

All suppliers of products used in Restaurants must provide products manufactured in compliance with the United States Code of Federal Regulations, Part 110, Good Manufacturing Practices. Our representatives must be permitted to inspect a supplier's facilities. The suppliers must also meet applicable federal, state and local regulatory requirements as well as certain facility, pest control, product specifications, quality assurance, employee good manufacturing practices, sanitation, bacteriological, storage, records, product recall and other standards imposed by JRL. We may re-inspect the facilities and products of any Approved Supplier and revoke our approval if the supplier fails to continue to meet our criteria and specifications. As a condition of approval, you and/or any supplier must reimburse us for all costs and expenses incurred by us associated with any testing, including travel and lodging expenses incurred where we deem it necessary to visit a supplier's facilities. You must maintain an adequate inventory of products, supplies and materials sufficient to satisfy customer demand and to operate your Restaurant efficiently.

Nothing contained in this Disclosure Document or in the Restaurant Franchise Agreements requires us to approve an inordinate number of suppliers of a given item or approve suppliers, which, in our

reasonable judgment, would result in higher costs to our franchisees or prevent, in our sole judgment, our effective and economical supervision of suppliers. As noted above, we also reserve the right to designate a Single Source Approved Supplier. We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Restaurants) based on whether or not you purchase through the sources we designate or approve, however, purchases of unapproved products or from unapproved vendors in violation of the Restaurant Franchise Agreement will entitle us to terminate the respective Franchise Agreement. We currently negotiate purchasing agreements (including price terms) with suppliers for the benefit of the system as a whole, but we are not required to do so. There are currently no purchasing or distribution cooperatives.

We may enter into supply contracts either for all Restaurants or a subset of Restaurants situated within one or more geographic regions (each, a "systemwide supply contract"). We may enter in such systemwide supply contracts with one or more vendors for programs, products, supplies, equipment, materials and services that all company-owned and franchised Restaurants in the United States, or company-owned and franchised Restaurants in a designated geographic area, will be required to purchase, use and sell.

During our fiscal year ended December 30, 2018, we neither required nor accepted any fees from a supplier for allowing the supplier to serve as one of our Single Source Approved Suppliers, although as noted in the following paragraphs, we do currently receive rebates from certain approved suppliers and reserve the right to receive rebates from additional approved suppliers. In addition, we and our affiliates reserve the right to derive revenue from the sale of products to you. We may derive revenue in the form of commissions or rebates that third-party suppliers pay to us based on your purchases or by selling certain products to you directly. You will pay the then-current price in effect for any products you purchase from us or any affiliate.

You may serve only Coca Cola soft drinks, juices, bottled water and like beverage products (collectively "Non-alcoholic Beverages") in your Restaurant. You may buy Non-alcoholic Beverages from whatever supplier you select, provided that the supplier can deliver consistently the full line of Coca Cola products. JRL reserves the right to require its franchisees to offer additional beverages purchased from approved or designated suppliers in the future. The Coca Cola Company pays certain funds directly to qualifying franchisees as revenue and pays certain funds directly to us for company-owned Restaurants as revenue. Additionally, the Coca Cola Company has contributed certain funds to the Fund based on franchisee or company-owned Restaurant purchases.

Any rebates we receive based on required franchisee purchases are paid to the Fund. In the fiscal year ended December 30, 2018, the total revenue of the Fund was \$3,074,655 and it received \$45,916.65 or 1.49% of its total revenue from suppliers in connection with required purchases from franchisee and company-owned Restaurants.

Sysco, our distributor of groceries and disposables, currently adds \$.03 per case to all product cases purchased by franchisee and company-owned Restaurants, which amount Sysco pays to us and which we allocate to our dead stock fund (the "Dead Stock Fund"). We also participate in a rebate program with VGM, a third-party company that helps identify rebates we may be able to claim based on purchases franchisee and company-owned Restaurants make from suppliers in their portfolio. All rebates paid by VGM are also allocated to the Dead Stock Fund. We designate the use of the Dead Stock Fund as appropriate needs arise, such as paying for expired inventory, paying for inventory deemed obsolete, paying for left over products from limited time offerings, conducting research and development, covering quality assurance costs and handling other related uses ("Dead Stock Fund Purposes"). All Dead Stock Fund amounts not used for Dead Stock Fund Purposes are deposited into the Fund. In 2018, the total amount

deposited into the Dead Stock Fund was \$72,918, of which \$54,414 was used for Dead Stock Fund Purposes and the remaining amount was deposited into the Fund. During fiscal year 2018, the total revenue of the Fund was \$3,074,655 and it received \$28,504 or .93% of its total revenue from the Dead Stock Fund.

If you are approved by JRL to serve beer, wine and alcohol in your Restaurant, you must serve, at a minimum, Anheuser-Busch Beer Products and Robert Mondavi Wine Products (collectively "Alcoholic Beverages"). Any other Alcoholic Beverages you would like to sell will require the prior written approval of JRL. You may buy Alcoholic Beverages only from an Approved Supplier.

None of JRL's officers own an interest in any approved supplier.

We estimate that approximately 90% of your expenditures for leases and purchases in establishing your Restaurant and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

Information and Technology Systems & POS System

JRL requires the use of current up to date information and technology systems in the management and operation of its Restaurants. Therefore, you must purchase and use a Point of Sale cash collection system (including all related computer hardware and software) ("POS System") as specified in the Manuals or as otherwise specified by JRL in writing for use in connection with your Restaurant. You must purchase your POS System from a JRL approved POS Supplier. You must also purchase or upgrade a computer system with broadband Internet access which allows "polling" by JRL, and digital still and video cameras. Your Restaurant must also meet and maintain Payment Card Industry (PCI) Data Security Standard (DSS) compliance. If we develop (or have developed on our behalf) a proprietary POS System, you may be required to purchase such proprietary POS System from us or our designee and sign our then-current standard form of software license agreement. If you operate a Johnny Rockets Drive-Thru Restaurant, JRL requires you to install the designated equipment and software for the required automobile drive-thru.

You must purchase any upgrades, enhancements or replacements to the POS System, the computer system and the computer software as we advise. There are no limitations on our ability to require upgrades to your systems. You must incorporate any required modifications or additions within 90 days after receiving written notice from JRL, unless a longer time period is stated in the notice.

Insurance

Restaurants

You must secure and maintain insurance coverage under your franchise name for "all operations of franchisee," including property coverage, general liability and products liability, with insurance carriers acceptable to us and must meet our current insurance requirements described in this paragraph, or as otherwise provided in the Manuals. These required insurance policies must be provided by an insurer having a minimum A.M. Best's rating of A-, VII, and must include, at a minimum, the following: comprehensive general liability insurance including coverage for personal injury on an occurrence basis with policy limits of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate (including liability coverage for the sale of beer, wine and alcohol, if applicable) with \$50,000 fire damage legal and Umbrella (Excess) Liability coverage (following form) of not less than \$5,000,000 per occurrence (Umbrella Liability coverage must include coverage over General Liability, Auto Liability and Employer's Liability); automobile liability insurance covering owned, rented and non-owned automobiles in the amount

of \$1,000,000; workers' compensation (statutory coverage); and employer's liability coverage at statutory limits for \$1,000,000 per accident, \$1,000,000 disease (policy limit) and \$1,000,000 disease (per person limit).

You must obtain property insurance coverage including "all risk" physical damage insurance and sprinkler leakage, for the replacement cost of all additions, improvements and alterations to the Restaurant and all of the furniture, fixtures, equipment and all other property items located at the Restaurant. The coverage must commence when you first take possession of the Restaurant Site, comply with any requirements of the lease for the Restaurant Site and include coverage for those risks, and in the amounts, and subject to the policy limits and deductible amounts as we shall determine periodically. You must carry the amount of Workers' Compensation insurance required by applicable law. You must name us as an additional insured on all insurance policies to the extent of our interests and provide us with certificates of insurance evidencing this coverage.

All policies shall (a) be primary and non-contributing, (b) provide us with at least 30 days' written notice of cancellation or termination of coverage, and (c) contain a waiver by the insurer of any rights of subrogation. We may specify reasonable changes in the types and amounts of insurance coverage required. At least ten (10) days prior to you taking possession of the Restaurant Site, you must provide us with a Certificate of Insurance that verifies that your insurance policy meets or exceeds the coverage specifications and requirements noted above, including the requirement that we and The Johnny Rockets Group, Inc. are named as additional insureds.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN RESTAURANT FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 5, 6 and Exhibits 2 and 4 of Development Agreement; Section 1A(1) and Exhibits D and H of Franchise Agreement	Items 7 and 1.1
b. Pre-opening purchases/leases	Section 5 and Exhibits 2 and 4 of Development Agreement; Exhibits D and H of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 5, 6 and Exhibit 2 of Development Agreement; Section 1A(1) and Exhibit D of Franchise Agreement	Items 6, 7 and 1.1
d. Initial and ongoing training	Section 3 and Exhibit E of Franchise Agreement	Items 5, 6, 7 and 1.1

OBLIGATION	SECTION IN RESTAURANT FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
e. Opening	Section 4A and Exhibit 1 of Development Agreement; Exhibit D of Franchise Agreement	Item 11
f. Fees	Section 6 of Franchise Agreement; Section 3 of Development Agreement; Amendment to Development Agreement (Development Incentive Program)	Items 5, 6, 7 and 10
g. Compliance with standards and policies/Operating Manual	Sections 3C and 8 of Franchise Agreement	Items 8 and 11
h. Marks and proprietary information	Sections 4 and 6 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 8B, C & D of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Section 1 and Exhibit 1 of Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8B, D and G of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 2F, 8B, and 9 of Franchise Agreement	Item 11
n. Insurance	Section 8L of Franchise Agreement	Items 6, 7 and 8
o. Advertising	Section 10 of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 8B of Development Agreement; Sections 4E and 5D of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Section 8K of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 8B(9) & 11 of Franchise Agreement	Item 6
s. Inspections/audits	Section 12 of Franchise Agreement	Items 6 and 11

OBLIGATION	SECTION IN RESTAURANT FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
t. Transfer	Section 10 of Development Agreement; Section 13 of Franchise Agreement	Item 17
u. Renewal	Section 2 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 11E of Development Agreement; Section 17 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 15A of Franchise Agreement	Item 17
x. Dispute resolution	Sections 18 and 19 of Franchise Agreement; Section 12 of Development Agreement	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. Neither we nor any affiliate currently receive payment from any person or persons in exchange for their obtaining or placing financing for you. We and our affiliates do not have any present practice or intent to transfer, assign, discount or sell to a third party, in whole or in part, any note, contract or other instrument executed by you, but we and our affiliates reserve the right to do so in the future. We and our affiliates do not guarantee or co-sign your notes, leases or any other obligations.

ITEM 11

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

Except as listed below, JRL is not required to provide you with any assistance.

JRL's Obligations Prior To Opening the Restaurant

Before you open your Restaurant, we will:

1. Review site proposal packages you submit (and additional submissions made by you) and reject, consent, or provide comments to you regarding your proposed site within 30 days after we receive the completed proposal (or additional submission). (Area Development Agreement, Section 5; Franchise Agreement, Exhibit D.) If you cannot find an acceptable Restaurant site and lease or otherwise secure control of the site within six (6) months after the effective date of the Franchise

Agreement, then we may terminate the Franchise Agreement. (Franchise Agreement, Exhibit D, Section B.)

2. We will provide to you, a restaurant design package that will include a sample layout for the interior of a typical Restaurant with a set of typical preliminary plans and equipment and décor specifications. (Franchise Agreement, Section 3.A(1), Exhibit D, Section C(1).)
3. Review, comment on, and approve your final plans and specifications. (Franchise Agreement, Exhibit D, Section C(2).)
4. Make a final inspection of the Restaurant after you complete its construction and require any corrections and modifications, as we deem necessary to bring the Restaurant into compliance with accepted plans, equipment, designs and specifications. (Franchise Agreement, Exhibit D, Section E(1).)
5. Loan you one copy of the Manuals, as revised periodically, including all bulletins, supplements and ancillary manuals. (Franchise Agreement, Sections 3.A(3), 3.C.)
6. For your first Restaurant, we provide the Restaurant Management Training Program to you (or, in the case where you are a corporation or other legal entity, to a principal or Control Person) and up to four of your managers and/or assistant managers. For the additional Restaurants that you develop, we provide the Restaurant Management Training Program to up to three of your managers and/or assistant managers. The Restaurant Management Training Program will be scheduled so that you can complete the program at least four weeks before the scheduled opening of your Restaurant. The Restaurant Management Training Program is described later in this Item. (Franchise Agreement, Sections 3.A(2), 3.D.)
7. Provide assistance at the premises of your Restaurant by one or more of our operational representatives for a period of up to ten days (five days before opening and five days after opening) or as otherwise deemed necessary by us, at our expense, to assist in all phases of the opening of your Restaurant. If you schedule any training and subsequently delay or reschedule such training, you will be responsible to pay JRL for any costs and expenses incurred by JRL as a result of the delay or rescheduling. (Franchise Agreement, Section 3.A(4).)
8. Assist in the preparation of, and review and approve your grand opening publicity support plan. (Franchise Agreement, Section 3.A(5).)
9. Have the right, to the extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements for the prices you may charge for products, including required participation in the System-wide discount programs and promotions. If we do not establish pricing requirements, then you will have the right to determine the prices you charge. (Franchise Agreement, Section 8.E.)

JRL's Obligations After Opening the Restaurant

After the opening and during the operation of your Restaurant, we will or may (as described below) provide you from time to time with guidance, consultation, advice and support in the following areas (see Sections 3, 8, 10 and 12 of Franchise Agreement):

- (1) Operations Manual. We will continue to grant you electronic or other access to our confidential Operations Manual;

(2) Suppliers. We will continue to provide you with a list of approved suppliers of equipment, products and supplies for the operation of the Restaurant;

(3) Pricing. We will continue to have the right, to the extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements for the prices you may charge for products, including required participation in the System-wide discount programs and promotions. If we do not establish pricing requirements, then you will have the right to determine the prices you charge;

(4) Restaurant Inspections. From time to time as we decide, we or our agent or designee shall inspect the Restaurant and its operation to evaluate compliance with the System, the Operations Manual, and the Agreement, and shall notify you of and provide you with an opportunity to correct any deficiencies or unsatisfactory conditions identified in such inspection.

(5) Website and social media. We have established and intend to maintain a Johnny Rockets website, and will exercise sole control over the content of the website. We have the right, but not the obligation, at our sole discretion, to establish, maintain, modify, or discontinue any and all internet, social media, and electronic commerce activities pertaining to the System, including the Johnny Rockets' website;

(6) Marketing. We will develop and implement advertising and promotional programs;

(7) Conferences. We may require you or your Restaurant managers to attend Johnny Rockets' franchise conferences which may be offered by us from time to time, at our sole discretion;

(8) Ongoing Training. After the training we provide before the opening of your Restaurant, we will provide additional training or training programs as set forth in the Franchise Agreement, or as we otherwise choose to provide in our sole discretion. If you request special training of Restaurant personnel or other assistance in operating the Restaurant, and such training takes place at the Restaurant, you must pay all our expenses for such training, including travel, local transportation, and living expenses, including meals, for our personnel in accordance with our applicable per diem policy;

(9) Other Consultation and Services. From time to time we may consult with you regarding the operation of your Restaurant, and may provide you with additional consultation, advice, guidance and services beyond those enumerated above, as we deem appropriate in our complete and sole discretion, either with or without cost to you.

Restaurant Electronic Cash Register System/POS System

You must purchase and maintain a POS System with software that records gross sales and record menu items sold by hourly, daily and weekly increments. The POS System must: (1) include a "non-resettable" gross sales recorder; (2) track all sales; (3) provide an accurate account of restaurant data; (4) be internet-ready and connected, via broadband, with dial-up backup or other fail safe connectivity; (5) enable us to electronically "poll" at any time all data the system generates; and (6) be obtained from an approved POS Supplier.

The cost for the POS System, if purchased through San Diego Cash Register, is approximately \$17,000 to \$30,000 (depending on the number of terminals and if a Kitchen Display System is required). For a drive-thru location, the cost for the POS System is approximately \$35,000 to \$55,000.

You are solely responsible for the acquisition, operation, maintenance and upgrading of the POS System. Neither JRL nor any affiliate or third party is obligated to provide ongoing maintenance, repairs, upgrades or updates for the POS System. We require that you purchase a maintenance, repair, and upgrade/update service contract for the POS System, and that you maintain your POS, Computer and associated systems in accordance with PCI/DSS requirements. The Franchise Agreement does not limit the frequency or cost of required upgrades to the POS System. The current annual cost for a service contract is approximately \$2,200, but can vary depending on the amount of equipment you own. A firewall router is required for Internet security and Payment Card Industry compliance in accordance with PCI/DSS requirements.

You must purchase "Front of the House" and "Back of the House" hardware and software. The hardware required for the POS System is as follows:

For "Front of the House" a minimum of three terminals, five printers and two cash drawers. The "Front of House" software currently required is the Aloha Table Service (POS Version 12.3 or higher) and CFC BOH Version 15.6 or higher. JRL reserves the right to modify the required types of "Front of House" software at any time. All software should be purchased through a recommended Aloha vendor, as applicable. The Aloha Table Service System has been in continuous use by company operated Johnny Rockets Restaurants since 1998.

For the "Back of the House" one fileserver, one monitor, one UPS power conditioner, eight port switches (16 if Kitchen Display System installed) and one printer. JRL recommends MenuLink by NCR Corporation. The MenuLink Back Office Switchboard has an inventory program and has been in continuous use by company operated Johnny Rockets Restaurants since 1998. JRL also requires Microsoft Office or a compatible Office suite. The POS system must be accessible to Johnny Rockets polling solution for daily data collection. There are no contractual limitations in your Restaurant Franchise Agreement with JRL on the frequency or cost of required upgrades to these software programs.

We may also require you to acquire and maintain analytic data software from Apis Business Intelligence, LLC d/b/a MarketingVitals.com ("MarketingVitals"). This software analyzes data concerning the operation of your Johnny Rockets Restaurant, including data stored on your POS System, and provides various insights resulting from such data, which both you and we will have access to. We currently pay for the initial set up and ongoing maintenance fees for MarketingVitals from the Fund.

JRL has developed an online Portal Solution (www.jrportal.com) which provides inventory control, cost control, purchasing tracking, and statistical, forecasting and communications programs. You may, but are not required to, use the Portal Solution, and we may offer the necessary software and hardware at our cost without mark-up, however, we are not required to do so, and we may charge for support services when performed.

We reserve the right to change the POS System at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We have independent, unlimited access to the information generated by the POS System. There are no contractual limitations imposed upon our right to access information generated by the POS System.

Advertising

As described in Item 6 above, you must pay to us a weekly Marketing Fund Fee in an amount not to exceed 4% of your weekly Net Sales. Except as noted below, the Marketing Fund Fee is currently 1.75% of Net Sales, but may be raised up to 4%. We may, upon prior written notice to you, suspend and/or

reinstate the collection of Marketing Fund Fees, and vary the amount payable by you (but this amount shall not exceed 4% of Weekly Net Sales). In addition to any other rights we may have under the Restaurant Franchise Agreement, if you fail to pay the Marketing Fund Fee, you will not receive any marketing material from us until you come current with your Marketing Fund Fee payments.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to administration of the Marketing Fund and its marketing programs. Johnny Rockets Restaurants operated by our affiliates contribute to the Fund on the same basis as comparable franchisees.

We and our designated agents may spend the monies in the Fund in the manner we deem most appropriate, which may include local, regional and/or national advertising coverage. For example, we may use the Fund for various purposes, including, but not limited to, (1) salaries, benefits and any other payments made to employees or any other individuals or entities providing services to the Fund, (2) broadcast, print, and social and digital media advertising, (3) the creation, development and production of advertising and promotional material (*i.e.*, print ads, radio, film and television commercials, videotapes, direct mail pieces, social and digital media, point of purchase, and other forms of marketing and advertising), (4) any marketing or related research and development, and (5) advertising and marketing expenses, including product and food research and development by the marketing and purchasing departments, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, menu designs, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of our website and intranet system, internet access provider costs, subscriptions to industry newsletters or magazines, and overhead and administrative costs of the marketing and purchasing departments, including salaries for marketing and purchasing support personnel. We have the right to make all decisions regarding the type, quality and quantity of promotional campaigns developed by the Fund. We usually work with advertising agencies at the direction of our marketing department in developing advertising materials. We are not obligated to spend any amount on advertising in the territory or area in which your Restaurant is located.

We own and administer the Fund, and we may be reimbursed from the Fund for our actual expenses incurred in administering these advertising and promotional activities. However, we do not receive a fee for administering the Fund. In administering the Fund, we and/or our agents and designees undertake no obligation to make expenditures for you that are equivalent or proportional to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the advertising or promotional programs developed by us and our agents and designees. The Fund is not a trust or escrow account. We do not have any fiduciary obligations relative to the Fund. If all Marketing Fund Fees are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the Fund for use in the following years. The Fund is not audited. Within a reasonable time following your written request, however, we will deliver to you a statement (prepared using consistently applied accounting principles) of all receipts and advertising and promotional expenditures of the Fund during the fiscal year preceding the date of your request.

For the year ended December 30, 2018, Fund income was spent in the following approximate amounts: 31.2% on public relations, social and digital media, and sponsorships; 17.5% on point of purchase items, creative agency, photograph and video; 8% on research and development; 43.3% on administrative expenses; and .01% on licensing. No portion of the Fund is used to solicit new franchises.

In addition to paying the Marketing Fund Fee, you must spend annually 2% of your Net Sales for local advertising created by you, which may include advertising published in local media and promotional merchandise distributed in the community. These monies are not paid to us except a nominal amount that

goes toward the pro-rata share of our rent charged against our Marketing Department. All advertising material, including Internet advertising, must be approved by us before use. If an audit of your records determines that you failed to spend at least 2% of Net Sales for local store marketing during any audit year, we will have the right to increase your Marketing Fund Fee by up to 2% of Net Sales for a period of time equal to the number of years in which the audit reveals you failed to spend 2% of Net Sales for local marketing. In this event, you will still be required to spend at least 2% of Net Sales for local store marketing.

We may designate certain geographic areas for the purpose of establishing cooperative advertising programs to be participated in by all franchisees within a particular geographic area ("Co-Op Advertising Region"). If we create a Co-Op Advertising Region for the geographic area in which your Restaurant is located, you must participate in the Co-Op Advertising Region. The members of the Co-Op Advertising Region must administer the Co-Op advertising program or programs. We presently anticipate that, if a Co-Op Advertising Region is established, it will be governed by written articles and bylaws, which will be approved by a majority vote, based on one vote per Restaurant owned in each region. The Co-Op Advertising Region members may require each member to contribute to the Co-Op Advertising Region a percentage of each member's Net Sales to be used for a regional Co-Op advertising program or programs. All of your contributions to the Co-Op Advertising Region will be applied against the minimum Marketing Fund Fee requirements. If any company or affiliate owned Johnny Rockets Restaurant is located within a Co-Op Advertising Region, we will contribute to the Co-Op Region for each Johnny Rockets Restaurant operated by us or any affiliate the amount that would be required to be contributed to the Co-Op Advertising Region if it were a franchised Restaurant. Except by voluntary agreement among the members of the particular Co-Op Advertising Region (as provided in the Bylaws of the particular Co-op, which may or may not require unanimous consent of its members), we may not require you to contribute more than 2.75% of Net Sales towards the activities of the Co-Op Advertising Region. No Co-Op Advertising Region has been established as of the date of this Disclosure Document.

If you are signing your Restaurant Franchise Agreement under an earlier version of the Area Development Agreement, your advertising requirements may be modified to conform to the modified provisions, if any, in your Area Development Agreement.

Finally, at least 90 days prior to the scheduled opening of your Restaurant, you must develop a Grand Opening Publicity Support Plan which we must approve, and for which you must spend at least \$10,000. You must spend the Grand Opening Publicity Support Expenditure to pay for the advertising, promotion, events and publicity to complete your approved Grand Opening Publicity Plan. All promotional, publicity and/or advertising materials, including Internet advertising, must be approved by us before use.

Johnny Rockets Franchisee Advisory Council

JRL formed the Johnny Rockets Franchisee Leadership Council ("JRFLC") in March 2008, now known as the Franchise Advisory Council ("FAC"), as a formal channel of communications between JRL and its franchise community through regular meetings between management personnel of JRL and members of JRL's franchise community ("Franchisee Representatives") to consider matters of system-wide interest.

The FAC acts in an advisory capacity only, making recommendations, when appropriate, to JRL and the franchise community. The FAC does not have the power to bind JRL, any JRL Franchisee, or any other person or entity, nor does it have the authority to establish or modify the standards, policies or procedures of JRL.

The FAC consists of seven to nine Franchisee Representatives appointed by JRL. Each Franchisee Representative is appointed to serve for a one-year term.

Gift Card Program

You will be required to participate in an electronic gift card program which includes services such as gift card issuance, redemption, reloading, and balance inquiry. Depending on the specifications of your POS System and internet connection capabilities, you may need to purchase additional processing equipment to participate in the electronic gift card program. Your POS System may feature a compatible Gift Card Integration module. In that case, JRL may not require additional hardware purchased beyond the built-in integration to facilitate the successful functions of gift card issuance, redemption, reloading, and balance inquiries. However, if your POS System does not support Integrated Gift Card processing, you will be required to purchase one of the following VeriFone Terminal/Printer packages to facilitate the successful functions of gift card issuance, redemption, reloading, and balance inquiries: (1) the Trans 460 package, (2) the OMNI 3750 Dial package, or (3) the OMNI 3750 IP package. If you are required to purchase a VeriFone Terminal/Printer package, the package you will need to purchase will depend on the specifications of your POS System and your internet connection capabilities. JRL reserves the right to change providers for the gift card program at any time. If JRL changes providers for the gift card program, and additional equipment is required to implement the gift card program, you will be required to purchase the additional equipment at your expense.

Currently, Stored Value Systems is our approved gift card vendor. You should contact Stored Value Systems to determine what additional equipment, if any, you must purchase to participate in the electronic gift card program. You will be required to sign a Gift Card Participation Agreement as well as an ACH (electronic funds transfer) Authorization Agreement with JRL's gift card vendor. A copy of the Gift Card Participation Agreement is attached to this Disclosure Document as Exhibit D.

Opening of the Restaurant

Before entering into a Restaurant Franchise Agreement, we must approve you as a franchisee (or, if you already are a franchisee, approve you for expansion), and you and we must mutually agree upon the specific location of the Restaurant Site. We do not generally own the Restaurant Site and lease it to you. The date upon which you receive approval from us for a Restaurant Site will be deemed the "Site Approval Date." Shortly after the Site Approval Date, we will provide you with an execution copy of the Restaurant Franchise Agreement. If you sign a Restaurant Franchise Agreement before the Site Approval Date, you must submit and receive approval for a Restaurant Site and sign a lease or otherwise obtain control of the site within six (6) months after the effective date of the Restaurant Franchise Agreement. Except where we may suggest a Restaurant Site as described below, you alone must select the Restaurant Site, which Restaurant Site will be subject to our written approval. We will notify you of our approval or disapproval within 30 days after our receipt of your site proposal package.

We base our approval or disapproval on a variety of factors including population density and make-up, neighborhood characteristics, income levels, traffic count and access, visibility, parking size and street access, proximity to competing businesses, proximity to other Restaurants operated or franchised by us and proximity to retail and residential centers and other business generation sources. The same criteria apply whether you will construct a new Restaurant or convert an existing structure or restaurant to a Restaurant. Our approval is deemed automatically given if you acquire a corporate-owned restaurant or a location otherwise owned or leased by us that we have decided to offer to you as a potential Restaurant Site. We have no responsibility and make no representations regarding the appropriateness or success of

the Restaurant Site for the operation of your Restaurant. Our identification of, or approval of, a Restaurant Site does not constitute a guarantee, recommendation or assurance as to the success of your Restaurant.

You must provide us with a fully executed copy of an approved lease (including an executed copy of the Addendum to Lease in the form attached as Exhibit H to the Restaurant Franchise Agreement) for a Restaurant Site within six months after the date of the Franchise Agreement. If you fail to have the Restaurant Site "under control" (execute an approved lease within the time periods set forth in this Section), we, at our option, will have the right to terminate the Restaurant Franchise Agreement without an opportunity to cure.

Although we provide, as stated above in this Item 11 under the subheading "JRL's Obligations Prior to Opening the Restaurant," a restaurant design package that will include a sample layout for the interior of a typical Restaurant with a set of typical preliminary plans and equipment and décor specifications, we do not provide any assistance with conforming the Restaurant Site to local ordinances and building codes, landlord approval and obtaining any required permits and/or hiring and training your employees. While we provide you with our specifications, we do not provide any direct assistance in constructing, remodeling or decorating the Restaurant Site.

Length of Time Until Starting Construction and Opening of the Restaurant

We require that, after signing a lease or otherwise securing control of your Restaurant Site, you obtain a building permit and start construction no later than 12 months after the effective date of the Franchise Agreement, and complete construction and open for business within 16 months of the effective date of the Franchise Agreement. Failure to do so within the applicable time could result in our termination of your Franchise Agreement.

Management Training

Restaurant Training

The Initial Restaurant Management Training Program for a Restaurant will last approximately four weeks and will include 24 shifts consisting of classroom and on-the-job training and self-study modules and applications. For your first Restaurant, we will provide the Restaurant Management Training Program to you (or, in the case where you are a corporation or other legal entity, to a principal or Control Person who has been approved in writing by us) and one additional person designated by you as the manager or assistant manager responsible for the operation of the Restaurant must attend our Initial Restaurant Management Training Program. At your option, up to two additional persons designated by you as your Restaurant managers or assistant managers may also attend our Initial Restaurant Management Training Program. You must secure our prior written approval for any and all attendees of our Initial Restaurant Management Training Program, except for you or your Control Person (collectively, "Trainees"). A minimum of two persons, one of which is your Control Person, are required to complete our Restaurant Management Training Program to our satisfaction prior to the opening of each of your first three Restaurants.

For the second and third Restaurants that you develop, we will provide the Restaurant Management Training Program to two persons designated by you as the managers and/or assistant managers responsible for the operation of your second and third Restaurants, both of which are required to complete the training to our satisfaction. After your third Restaurant, you will be required to provide your own management training from your existing staff. You will be required to pay us for any additional management training we provide to you or your employees. We charge a Management Training Fee of \$1,500 for each additional

individual that attends our 24-shift Restaurant Management Training Program. If the entire 24-shift Restaurant Management Training Program is not necessary for the additional training, a fee for such additional management training will be agreed to by the parties before such management training begins. You also must pay the Management Training Fee for training replacement managers for any person who fails to complete the Restaurant Management Training Program to our satisfaction and for additional management and personnel.

The Initial Restaurant Management Training Program will cover the procedures necessary to properly operate a Restaurant. The training will be offered at one of our company certified training restaurants across the country. The location and duration of the training may be altered by us based on your training needs and other factors including the availability of a certified training restaurant. Training topics include, but are not limited to, guest relations, positional training, marketing, health and sanitation requirements, leadership, hiring, staffing, profit and loss analysis, food cost controls, safety, purchasing, and Operational Systems Management, including use of the JR Portal and other computer based management and operational tools. Successful completion of the Initial Restaurant Management Training Program does not guaranty success with your Restaurant.

The Initial Restaurant Management Training Program will be offered free of charge to the Trainees as provided above in this Section, except that you must pay for all costs for travel, room and board, wages and other personal expenses of these individuals. The Trainees must successfully complete the Initial Restaurant Management Training Program to our satisfaction before you can open your Restaurant to the public. We may terminate the Restaurant Franchise Agreement if you fail to complete the Initial Restaurant Management Training Program in a manner satisfactory to us. However, if any manager or assistant manager fails to complete the Initial Restaurant Management Training Program to our satisfaction, you will have the option of sending one other designated person approved by us to the Initial Restaurant Management Training Program in place of each initial manager or assistant manager. No person may act as a Control Person, manager, or assistant manager unless they have first successfully completed the Initial Restaurant Training Management Program to our satisfaction. There is not a specific number of days before opening the Restaurant that we require completion of the Initial Restaurant Management Training Program, but we endeavor to schedule the Initial Restaurant Management Training Program as close as possible to the opening of the Restaurant.

In addition to the Initial Restaurant Management Training Program described above, immediately before and after the opening of your Restaurant, we offer to you, free of cost, the assistance of up to three operational representatives at your Restaurant for up to five days before and five days after you open your Restaurant or as otherwise deemed necessary by us to assist in all phases of opening your Restaurant. The assistance offered at the opening of your Restaurant may vary depending on the size of your Restaurant and whether you will offer all menu items from your Restaurant. In the event your Restaurant does not offer the full Johnny Rockets menu, your opening assistance will consist of four days before and three days after you open your Restaurant.

If you schedule any training and subsequently delay or reschedule such training, you will be responsible to pay JRL for any costs and expenses incurred by JRL resulting from the delay or rescheduling.

For every three Restaurants you develop, one of those three Restaurants must become a Certified Training Center for the training of your management and staff personnel before you will be allowed to develop any additional Restaurants. Some of the benefits of having one of your Restaurants become a Certified Training Center include (a) you will have the ability to train managers within your own network of Restaurants, (b) Certified Training Centers will be the first franchise restaurants to receive new training procedures and tools that are incorporated system wide, (c) your management personnel will have a better

opportunity to progress in their professional development, and (d) an overall reduction in training costs. A Restaurant may become a Certified Training Center if it meets the standards and qualifications required by us, if it has been and continues to be in full compliance with its Restaurant Franchise Agreement, and the required number of managers satisfactorily complete the additional required training to become "Certified Training Managers." We will provide the certification training to your managers at no cost to you, except you will be responsible for the cost of travel to the training and room and board during the training.

When one of your Restaurants has qualified and been designated as a Certified Training Center, you will be required to appoint at least one of your Certified Trainers as an Opening Unit Coordinator ("OUC"). Thereafter, the OUC will be responsible for making sure your staff and personnel receive and pass the proper training for the operation of your Restaurant. You may appoint one or more Certified Trainers as an OUC.

In addition to the training described above, there is a one (1) day "Serve Safe" training, provided by a third-party provider, that is required for anyone classified as a Control Person or anyone in a management position. You can schedule this training at a time and location of your convenience, but it must be completed prior to opening your Restaurant. The cost of the "Serve Safe" training ranges from approximately \$100 to \$165 per person.

The following chart summarizes the subjects covered during our Initial Restaurant Management Training Program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours On-the-Job Training	Location
Orientation	6	0	Certified Training Center
Product and Menu Specifications	2	0	Certified Training Center
Safety/Sanitation/Equipment Repair and Maintenance	3	7	Certified Training Center
Food Preparation & Cooking	6	30	Certified Training Center
Service, Cashier and Takeout Procedures	5	30	Certified Training Center
Restaurant Opening Procedures including Smallwares and Food Orders	0	10	Certified Training Center
General Restaurant Management	20	44	Certified Training Center
Cost Control including inventory control and P&L	3	12	Certified Training Center
Quality Control	2	4	Certified Training Center

Subject	Hours of Classroom Training	Hours On-the-Job Training	Location
Certification	10	10	Certified Training Center
Total:	57	147	

NOTES

1. All training is scheduled and provided on an as needed basis. Instructional materials supplied by us, on our JR Portal tab, for the Initial Restaurant Management Training Program presently include a training manual, an MIT workbook, menus and various other materials as needed which may include some or all of the following materials:

Development

Artwork, Signage Specifications
 Prototype Design Plans
 Vendor Contact Information
 Material Specifications
 Construction Specifications
 New Store Opening Guide

Operations

Franchise
 Spec Products
 Brand Marketing
 Crew Training
 Management Training
 Recipe Manual
 Facilities

The following is the Table of Contents of the Operations Manual as of the date of this disclosure document:

Topic	Number of Pages
Company Overview	7
New Restaurants	7
Marketing & Social	6
People	13
Sanitation Guidelines and Food	5
Nutritional Information	2
Operational Procedures	9
Financials	3
Resources	3
Index	2
Addendum	1

2. Different Certified Training Managers are assigned based upon the geographic location of the Restaurant. On average, the Certified Training Managers have three years of experience with JRL and three or more years of experience in the field relevant to the subject taught and the franchisor's operations.

3. If we determine that you or your Control Person or your Managers or assistant managers require additional training or if you hire an additional or replacement Manager or assistant manager and we determine that you are unable to adequately train your Manager or assistant manager, and we may require that you or your Manager or assistant manager satisfactorily complete additional training which we

designate. You must pay us a \$1,500 Training Fee for each individual who attends training. All expenses for you and your personnel incurred while attending or obtaining all training will be borne entirely by you.

As a part of your ongoing training, we may hold a Franchise Conference once every two years and Webinars, as necessary, during the year to discuss what we are doing to improve the brand, new products and promotions, and other relevant changes to the System. Attendance at each Franchise Conference is at your sole cost and expense. Either you or your designee must attend each Franchise Conference.

4. The Initial Restaurant Management Training Program is provided at a Certified Training Center. Our Certified Training Centers are located in: (1) West Nyack, New Jersey; (2) Paramus, New Jersey; (3) Orange, California; (4) Reno, Nevada, and (5) National Harbor, Maryland.

ITEM 12

TERRITORY

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Restaurants at Venues in a specified Development Area, subject to our approval. The time period within which you will be required to develop the specified number of Restaurants will also be specified in the Area Development Agreement. "Venues" include all sites and locations other than "non-traditional venues." "Non-Traditional Venues" means and includes (a) institutional settings, including airports and other transportation facilities, colleges and universities, schools, hospitals, military and other governmental/municipal facilities, office or in-plant food service facilities, (b) recreational settings, including hotels, resorts, theme parks, fairs, stadiums, arenas, convention centers, casinos, and public or private athletic fields, public parks and beaches or any other venue where a temporary recreational event is open to the public, (c) American Indian reservations, and (d) any venue in which food service is or will be provided by a master concessionaire or contract food service provider, including a shopping center mall food court. You will submit a complete "Site Proposal Package" for each Restaurant to be developed under the Area Development Agreement. The Site Proposal Package shall contain such information regarding the proposed Restaurant Site as we shall require, in the form which we shall from time to time require, together with a copy of a fully executed letter of intent or purchase agreement containing the terms of the proposed lease for such site. Site Proposal Packages for Restaurants required to be developed under the Area Development Agreement must be submitted to us in a timely manner to allow the development and opening of each Restaurant by the date required in the Development Schedule. If we do not reject the proposed Restaurant Site in writing within 30 days after a receipt of a Site Proposal Package, the proposed Restaurant Site shall be deemed preliminarily accepted by us. Our acceptance of a Restaurant Site proposed by you will not be unreasonably withheld or delayed.

The Development Area will be a clearly defined area described in Exhibit 1 to the Area Development Agreement. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Restaurant at any Venue, except for Non-Traditional Venues as described above, within your Development Area. Your Area Development Agreement will terminate on the date of the approval of the last Restaurant Site that is required to be developed under the Area Development Agreement, or as earlier terminated for grounds specified in the Area Development Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We reserve the right to: (i) own, operate or license others to operate Restaurants at any location outside the Development Area, including immediately adjacent to the Development Area; (ii) own, operate or license others to operate Restaurants at any site or location which is a Non-Traditional Venue, even if located within your Development Area, and regardless of its proximity to any Restaurant which you have developed, or which is under development or consideration by you; (iii) own, operate or license others to operate restaurants and other businesses which operate under a name other than "Johnny Rockets" at any location, whether within or outside your Development Area and regardless of their proximity to any Restaurant developed, or under development or consideration by you; and (iv) manufacture and sell, or cause to be manufactured and sold, food, goods, wares, merchandise services and/or products, whether or not authorized for sale at Restaurants, under the Johnny Rockets Marks or other trademarks, service marks logos or commercial symbols, at wholesale or retail, through any distribution channel, including by means of mail order catalogs, direct mail advertising, the Internet and other distribution methods, without geographic limitation, regardless of whether or not it is located in your Development Area.

We are not required to pay you if we exercise any of the rights specified above inside your Development Area.

You need not meet any minimum sales quotas or other conditions in order to the rights outlined above in your Development Area. However, if you are in default under the Area Development Agreement, we will be free to terminate the rights outlined above in your Development Area or permit others to operate Johnny Rockets restaurants within the specified Development Area; or we may elect to terminate the Area Development Agreement. There are no restrictions on the areas in which you may advertise or solicit customers. You do not receive any right under the Area Development Agreement to develop Restaurants outside of your Development Area, although you may apply for the right to operate specified number of additional Restaurants in another development area under a separate area development agreement.

Restaurant Franchise Agreement

Your license to operate a Johnny Rockets Restaurant grants you a protected territory as provided in Section 1.B of the Franchise Agreement. During the Agreement term, we will not open or operate or permit another party, including our affiliates, to open and operate a new Johnny Rockets Restaurant within a radius of one (1) mile measured from the front door of your Restaurant (your "Protected Area".) Other than that, the license granted to you in the Franchise Agreement is non-exclusive. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We reserve the right to: (i) own, operate or license others to operate Johnny Rockets Restaurants at any location outside of your Protected Area, regardless of the proximity to any Restaurant developed or under development at the Restaurant Site, or under consideration by you; (ii) own, operate or license others to operate restaurants and other businesses which operate under names other than Johnny Rockets at any location, regardless of the proximity to any Restaurant developed or under development at the Restaurant Site, or under consideration by you; (iii) manufacture and sell, or cause to be manufactured and sold, food, goods, wares, merchandise, services, products, whether or not authorized for sale at Restaurants, under the Johnny Rockets Marks or other trademarks, service marks, logos or commercial symbols, at wholesale or retail, through any distribution channel, including by means of mail order catalogs, direct mail advertising, the Internet, and other distribution methods, regardless of the proximity to any Restaurant developed or under development at the Restaurant Site, or under consideration by you; and (iv) to own, operate, and license others to operate Johnny Rockets Restaurants at any site or location which is a Non-Traditional Venue, even if located within your Protected Area. We are not required to pay you if we exercise any of the rights specified above.

Our affiliate Friendly's (See Item 1) operates and franchises restaurants under the Friendly's® trademark. Some of the lunch and dinner menu offerings at these restaurants are similar to the menu offerings at Johnny Rockets Restaurants. Currently, the majority of existing Friendly's restaurants are located in geographic areas remote from Johnny Rockets Restaurants. However, Friendly's and its franchisees may now or in the future compete with your Restaurant. Any potential conflicts between franchisees of each system will be resolved on a case by case basis. Friendly's principal address is 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095. Except as stated above, we have no plans to operate a competing franchise system offering similar goods and services, although we reserve the right to do so.

You are granted no exclusivity regarding customers. We do not place any restrictions on our franchisees as to the customers they may solicit or service, but you do not have the right to use other channels of distribution, such as the Internet, catalog or telemarketing, to make sales. Under the Restaurant Franchise Agreement, you may operate the Restaurant only at a specific approved location. You may provide food catering and delivery services inside your Protected Area, but not outside your Protected Area unless approved or specified by us.

You may not relocate the Restaurant to any other location without our prior written approval. You must reimburse us for any reasonable costs we incur in considering any relocation request. We will grant approval if you are in compliance with the Franchise Agreement, you have good cause, you have paid all money owed to us and our affiliates, and the proposed location meets our site selection criteria.

You do not receive any right under the Restaurant Franchise Agreement to develop any additional Restaurants, although you may apply for the right to operate additional Restaurants under separate franchise agreements. Under the Restaurant Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated nor on your penetration of the market potential. You may not operate your own website on the Internet with regards to your Restaurant for use by your customers or the general public, but may use the corporate website operated by JRL for such purposes.

You are not granted options, rights of first refusal, or any other similar right to acquire additional franchises.

ITEM 13

TRADEMARKS

If you operate a Restaurant, we grant you the right to operate your Restaurant under the names "JOHNNY ROCKETS®" and "JOHNNY ROCKETS THE ORIGINAL HAMBURGER®" and to use our other current or future Marks that we designate in the operation of your Restaurant. By "Marks," we mean certain designs, phrases, logos, trademarks, service marks and other items now or hereafter owned, used or provided by JRL for use in your Restaurant.

In addition to other registered trademarks, we have registered the following principal trademarks with the United States Patent and Trademark Office ("USPTO") on the Principal Register and all required affidavits of continuing use have been filed and accepted:

Registered Trademarks

Mark	Registration No.	Registration Date	Register
	5,138,720	February 7, 2017	Principal
	5,121,062	January 10, 2017	Principal
JOHNNY ROCKETS	1,436,052	April 7, 1987	Principal
	88/172,490	October 29, 2018 (filing date)	Application Pending
	1,951,318	January 23, 1996	Principal

You must follow our rules when you use these Marks. You cannot use the Marks in connection with any other entity or business in which you have an interest, direct or indirect, or as any part of the name of the entity operating the Restaurant.

There are no presently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court relating to the Marks. There are no pending infringement, opposition or cancellation proceedings or material litigation in the United States involving the Marks. There are no agreements currently in effect, that significantly limit our rights to use or license the Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

If you learn of any improper use of the Marks or any other trade name or service mark used by any third party which is confusingly similar to the Marks or of any infringement or challenge to your use of the Marks, you must notify us in writing immediately. Upon receipt of written notification, we may elect to undertake and control the prosecution, defense or settlement of any legal action associated with any infringement or challenge. To this end, you must assist us in carrying out the action. As more specifically

described in the Franchise Agreement, we will reimburse you as soon as practicable for any expenses you incur at our request, upon submission of proof of these expenses in form reasonably satisfactory to us.

You must immediately notify us if any third party asserts any challenge, claim or action against you for infringement or unfair competition on account of your use of the Marks. We will undertake and control the defense or settlement of any challenge, claim or action and reimburse you promptly for all out-of-pocket expenses and actual damages (other than loss of income), that you incur, upon submission of proof of these expenses or damages in a form reasonably satisfactory to us; however, our obligations to defend and to reimburse you will exist only if you have used the Mark in strict accordance with the terms of the Restaurant Franchise Agreement and our rules, regulations, procedures, requirements and instructions, have promptly notified us of the challenge, claim and action as described above, and have otherwise fully cooperated with us in the defense of any action.

If we determine at any time that it becomes advisable to modify or discontinue use of any of the Marks or to use one or more additional or substitute names or marks, you must immediately comply with all of our instructions. You have no rights to compensation or otherwise under the Franchise Agreement if we require you to modify or discontinue using any of the Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents, patent applications or copyrights that are material to your Restaurant or the Johnny Rockets System. However, we claim copyright protection in the Manuals and our menu formats, advertising materials, computer programs, training materials and the like. If you reproduce or have reproduced any of these items, you must ensure when appropriate that each item bears a copyright notice.

If your Restaurant Franchise Agreement or Area Development Agreement is owned by a corporation, limited liability company or some other form of business entity, the name "Johnny Rockets" may not be used in the name of any such business entity or as part of any domain name or email address as it is a protected name.

We also claim proprietary rights in certain recipes, secret ingredients, specifications, procedures, concepts and methods and techniques of developing, marketing and operating Restaurants and other retail outlets featuring the sale of hamburgers, fries, chili, hand dipped shakes and malts and related products ("Confidential Information"). Some of our Confidential Information also amount to trade secrets. We reserve all rights that we have in and to our Confidential Information. In signing the Area Development Agreement and/or Restaurant Franchise Agreement, you acknowledge that your knowledge of these Confidential Information derived from information we have disclosed to you and that this information is proprietary and confidential and constitutes our Confidential Information. You must: (i) not use the Confidential Information in any business or other endeavor other than in connection with the Restaurant; (ii) maintain absolute confidentiality of the Confidential Information; (iii) make no unauthorized copy of any portion of the Confidential Information, and; (iv) operate and implement all reasonable procedures, which we prescribe to prevent unauthorized use and disclosure of the Confidential Information including restrictions limiting disclosure to certain employees and use of non-disclosure and non-competition provisions that we prescribe in employment agreements with employees who may have access to this information.

All ideas, concepts, procedures, techniques or processes concerning the Restaurants, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must

be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Johnny Rockets System and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you will assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If you operate a Restaurant, you must be personally involved in the operation of your Restaurant on a full-time basis; however, you may delegate the day-to-day management responsibilities to a manager. You and three additional persons designated by you as managers or assistant managers responsible for the operation of your Restaurant must complete our training course. During the term of the Restaurant Franchise Agreement, you or an officer, director, shareholder, member, partner, Control Person, trustee or equity owner of your legal entity approved by us, or a manager or assistant manager who has attended the Restaurant Management Training Program and who has been approved by us must spend a minimum of 40 hours per week at the Restaurant overseeing and supervising the operation of the Restaurant. You must devote at least eight hours per week of physical presence at the Restaurant during open and operating hours. In addition, you must designate a sufficient number of assistant managers to assure that you, a manager or an assistant manager are on the premises of the Restaurant and are actually supervising the operation of the Restaurant during all open and operating hours.

You must maintain all accounting records, submit all required reports and financial statements described in the Restaurant Franchise Agreement, and submit to us copies of your annual federal, state and, if applicable, city income and sales tax returns, to the extent they relate to the operation of the Restaurant. All submittals of the foregoing documents shall be made pursuant to a schedule established by us or as otherwise requested by us.

If you are a legal entity, your owners must sign a personal Guaranty and Subordination Agreement attached as an exhibit to the Restaurant Franchise Agreement and the Area Development Agreement. By signing the Guaranty and Subordination Agreement, the owners unconditionally guarantee your full performance of all of your obligations under all agreements between you and us. We do not require that the spouses of owners sign the personal Guaranty and Subordination Agreement.

Your Manager does not need to have an ownership interest in the Restaurant. At our request, your Manager, and any employees who may have access to our trade secrets, must sign a written agreement to maintain confidentiality of proprietary information.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The essence of the Johnny Rockets System is the uniform high quality of its products and services. Restaurants present a common menu, which primarily includes hamburgers, fries, chili, hand dipped shakes and malts and related menu items. As noted in Item 1, however, the menu items offered from Restaurant to Restaurant may vary depending on the size, type and location of the Restaurant. You must prepare and serve all items on the Johnny Rockets menu and only those items unless a variation from this requirement is first approved in writing by us. We may add, delete and change menu items that you may or must offer,

and this may require you to purchase additional equipment. Although we may, on occasion, make recommendations concerning minimum or maximum prices, you alone set your prices. You must print new menus within six (6) months after JRL has redesigned the menu for any reason, including, but not limited to, additions or deletions of menu items and reformatting of the menu.

You may only use our seasonings for the preparation of food items at your Restaurant, and these seasonings may not be sold separately to the public or otherwise dispensed at a location other than your Restaurant.

We may also require you to maintain an adequate inventory, make available for sale and properly display at your Restaurant a full line of souvenir and novelty items, such as sweat shirts, pins, watches, aprons, T-shirts, jackets, caps, glasses, records and similar items. However, you cannot sell these or any other souvenir and novelty items without our prior approval, and cannot sell such items on the Internet or by public Internet auction, such as "eBay."

We may, on occasion, require you to test market products and/or services at the Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us. You may not test market any products and/or services at the Restaurant without our prior written consent.

Other than a five-cent counter jukebox, no vending or other coin operated machines, including ATMs and other money dispensing machines are permitted in the Restaurant without our prior written consent. No smoking is permitted in any part of any Restaurant.

See Items 8 and 9 for more specific information covering what you may sell. We do not impose any restrictions or conditions that limit your access to customers.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR AREA DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1A of the Franchise Agreement; also Section 1A and Exhibit 1 of the Development Agreement	The standard Franchise Agreement initial term is ten (10) years. The initial term of the Development Agreement ends when the last restaurant in the schedule is required to open.

PROVISION	SECTION IN FRANCHISE OR AREA DEVELOPMENT AGREEMENT	SUMMARY
b. Renewal or extension of term	Section 2 of the Franchise Agreement	You have the right to automatically renew the Franchise Agreement for one additional 10 year term, subject to receipt and approval of any documentation we may require, if all required conditions are met. There is no renewal term for the Development Agreement.
c. Requirements for you to renew or extend	Section 2 of the Franchise Agreement	Be in good standing, be in compliance with all agreement terms, provide timely notice of renewal, pay fee, sign new agreement, remodel, sign general release. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Section 16A of the Franchise Agreement	Under the Franchise Agreement, you may terminate if we fail to cure a default within 60 days after receiving written notice. There is no right for you to terminate the Development Agreement
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	Section 16 of the Franchise Agreement; also Section 11 of the Development Agreement	We can terminate the Franchise Agreement or Development Agreement for defaults.

PROVISION	SECTION IN FRANCHISE OR AREA DEVELOPMENT AGREEMENT	SUMMARY
g. "Cause" defined – curable defaults	Section 16C, D and E of the Franchise Agreement; also Sections 4C and 11B(10) of the Development Agreement	Under the Franchise Agreement, you will have 24 hours notice to cure any violation of law or operations regarding health, sanitation or safety, or a breach that impairs the goodwill of the Marks or System. You will have 10 days notice to pay overdue money, to obtain insurance, to report Net Sales, or to cure violations of law. You will have 30 days notice to cure all other defaults except those that are uncureable. You may at our discretion extend schedule deadlines under the Development Agreement by paying a fee not to exceed \$10,000 per month per restaurant and per extension. Under the Development Agreement, you will have 30 days notice to cure any default except those which permit termination without cure. A default under any Franchise Agreement is a default under all other Franchise Agreements held by you and your affiliates. A default under a Franchise Agreement is a default under your Development Agreement; but a default under your Development Agreement is not a default under your Franchise Agreement(s).
h. "Cause" defined –non-curable defaults	Section 16B of the Franchise Agreement; also Section 11B of the Development Agreement	Under the Franchise Agreement, insolvency or bankruptcy, abandonment, material misrepresentation, failure to meet development deadlines, conviction of felony, lose possession of premises, unauthorized use of marks or confidential information, repeated defaults even if cured, material misrepresentation of financial condition, material breach which can't be cured. Under the Development Agreement, failure to comply with development schedule (unless extended), insolvency or bankruptcy, unauthorized use of marks or confidential information, unauthorized transfer, material misrepresentation, conviction of felony, uncured default under other agreements with us.

PROVISION	SECTION IN FRANCHISE OR AREA DEVELOPMENT AGREEMENT	SUMMARY
i. Your obligations on non-renewal or termination	Section 17 of the Franchise Agreement; Section 11E of Development Agreement	Obligations include cease operation, de-identification, pay amounts owed, return confidential materials (also see paragraphs "o" and "r" below).
j. Assignment of contract by us	Section 13A of the Franchise Agreement; also Section 10A of the Development Agreement	There are no restrictions on our right to transfer.
k. "Transfer" by you – defined	Section 13B of the Franchise Agreement; also Section 10B of the Development Agreement	Includes transfer of assets, the agreement or ownership change.
l. Our approval of transfer by you	Section 13B of the Franchise Agreement; also Section 10B of the Development Agreement	We have the right to approve all transfers.
m. Conditions for our approval of your transfer	Section 13D of the Franchise Agreement; also Section 10C of Development Agreement	Transferor must cure all defaults and pay all monies owed, bring premises up to standard, guarantee Transferee for 2 years, pay our then-current transfer fee, sign a general release, and for transfer of franchise agreement pay \$5,000 (refundable) for payment of obligations. Transferee must qualify as franchisee, meet training requirements, provide personal guaranty, if entity. Purchase agreement must be approved (also see paragraph "r" below).
n. Our first right of refusal to acquire your business	Section 13C of the Franchise Agreement	We have the option to match any bona fide offer.
o. Our option to purchase your business	Not Applicable	None.
p. Your death or disability	Section 13F of the Franchise Agreement; and Section 10E of Development Agreement	Franchise must be transferred to an approved transferee within 6 months.
q. Non-competition covenants during the term of the franchise	Section 15A of the Franchise Agreement; also Section 9B of Development Agreement	You may not be involved in any mid-scale priced, family style restaurants, or other food service establishment in which frozen desserts comprise 10% or more of gross sales.

PROVISION	SECTION IN FRANCHISE OR AREA DEVELOPMENT AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 15A of the Franchise Agreement; also Section 9B of Development Agreement	You may not be involved in any mid-scale priced, family style restaurants, or other food service establishment in which frozen desserts comprise 10% or more of gross sales, for 2 years within a 15-mile radius of your franchise location or any other Johnny Rockets restaurant.
s. Modification of the agreement	Sections 3C, 20B, and 20C of the Franchise Agreement; also Section 13B and 13C of Development Agreement	No modifications generally, but Operations Manual may change.
t. Integration/merger clause	Section 20A of the Franchise Agreement; also Section 13A of the Development Agreement	Only the terms of the Franchise Agreement and Development Agreement are binding (subject to state law). Any representations or other promises made outside the disclosure document, the Franchise Agreement or Development Agreement may not be enforceable. This is not intended to disclaim any representation made in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 18C of the Franchise Agreement	All disputes must go thru mediation before a lawsuit is commenced, except that mediation is not required before a lawsuit: > to enforce your obligation to pay money > for declaratory or equitable relief > if we have terminated the agreement You can also litigate a claim for declaratory or equitable relief without first going through mediation.
v. Choice of forum	Section 19B of the Franchise Agreement; also Section 12B of the Development Agreement	Litigation, as appropriate, will be in Massachusetts; subject to certain state franchise laws. See Exhibit A and your state's addendum, if applicable.
w. Choice of law	Section 19A of the Franchise Agreement; also Section 12A of the Development Agreement	Massachusetts law applies, subject to certain state laws. See Exhibit A and your state's addendum, if applicable.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

Reporting Franchised Restaurants

Except as noted below, this Item 19 includes financial performance information for all of the franchised, domestic (U.S. and U.S. territories) Johnny Rockets Restaurants that were open and operating for the entire 12-month period of January 1, 2018 to December 30, 2018 (the end of our last fiscal year) (collectively the "Reporting Franchised Restaurants"). Specifically, of the 162 total franchised, domestic Johnny Rockets Restaurants operating at the end of our last fiscal year, there are 131 Reporting Franchised Restaurants. The domestic franchised Johnny Rockets Restaurants not included in this Item 19 are not included because: (i) they were not open for the entire 12-month period and/or (ii) they were located at a professional sports stadium or a university with seasonal operation. Specifically, this Item 19 does not contain any information for the 2 franchised domestic locations that were not open for full 12-month period. Additionally, this Item 19 also does not include any information for (a) the 12 domestic franchised locations located at professional sports stadiums as these locations were open for operation approximately 100 days (for those restaurants located in professional baseball stadiums) and 20 days (for those locations located in professional football stadiums) during the twelve (12) month period, or (b) the 2 domestic franchised locations located at universities as these locations were open for operation approximately 8 months during the 12 month period. Additionally, this Item 19 does not include data for 8 domestic franchised Johnny Rockets Restaurants due to data reporting issues and for 10 domestic franchised Johnny Rockets Restaurants that closed during the 12-month reporting period, none of which closed after being open less than 12 months.

Average Unit Volume of Reporting Franchised Restaurants by Venue

The financial performance information contained in this Item 19 represents the average unit volume of the Reporting Franchised Restaurants for the 12-month period from January 1, 2018 to December 30, 2018 (the end of our last fiscal year). As described further below, the average unit volume for the Reporting Franchised Restaurants is organized by venue type. We calculated the average unit volume numbers based on sales reports submitted to us by the Reporting Franchised Restaurants. We have not audited the reports for purposes of this Item 19. The financial information contained in this Item 19 does not include any financial performance information for: (i) domestic

franchised Johnny Rockets Restaurants that opened or closed during the 12-month reporting period; (ii) any corporate or affiliate owned and operated restaurants; (iii) stadium locations; or (iv) university locations;

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**AVERAGE UNIT VOLUME¹ OF REPORTING FRANCHISED RESTAURANTS
BY VENUE**

Venue	Number of Reporting Franchised Restaurants	Average Unit Volume ("AUV")	Number and Percentage of Reporting Franchised Restaurants that Attained or Exceeded AUV	High Unit Volume ²	Median Unit Volume ²	Low Unit Volume ²
Airport ³	5	\$1,482,803	2 of 5 (40%)	2,914,386	1,328,636	645,452
Tourist ⁴	7	\$1,338,144	3 of 7 (43%)	2,606,933	1,151,003	541,698
Casino ⁵	18	\$2,438,936	7 of 18 (39%)	5,752,982	1,837,941	429,951
Theme Park ⁶	25	\$1,134,184	8 of 25 (32%)	4,226,818	833,168	181,922
Downtown ⁷	2	\$917,230	1 of 2 (50%)	1,232,805	917,230	601,656
Mall ⁸	31	\$968,981	13 of 31 (42%)	2,045,150	916,003	423,700
Lifestyle/Streetfront ⁹	11	\$1,054,993	5 of 11 (45%)	2,982,184	907,493	384,721
Military ¹⁰	1	\$443,374	1 of 1 (100%)	443,374	443,374	443,374
Grocery Anchored Center	1	\$838,436	1 of 1 (100%)	838,436	838,436	838,436
Outlet	19	\$1,137,094	9 of 19 (47%)	2,637,356	1,043,958	217,822
Power Center	3	\$557,956	1 of 3 (33%)	794,365	535,016	344,487
Strip Center ¹¹	8	\$802,784	2 of 8 (25%)	2,353,637	543,376	300,742
AUV for all Reporting Franchised Restaurants ¹²	131	\$1,228,168	40 of 131 (31%)	5,752,982	969,071	181,922

Notes

- (1) As used in this Item 19, "Average Unit Volume" means the net sales derived in and from the operation of the Reporting Franchised Restaurants (by venue) from all sales of food, beverages (including beer, wine and alcohol), goods, wares, merchandise and all services made in, upon or from the Reporting Franchised Restaurants, whether for cash, check, credit or otherwise collected from customers, divided by the number of Reporting Franchised Restaurants operating from that particular venue.
- (2) The high, median and low unit volume reflects the actual high, media and low unit volumes for the Reporting Franchised Restaurants included in each venue. For purposes of this Item 19, "median" means the middle value, above and below which lay an equal number of Reporting Franchised Restaurants for each venue type. Half of the Reporting Franchised Restaurants for each venue exceeded this value and half did not.
- (3) "Airport" includes all Reporting Franchised Restaurants located in a domestic airport.
- (4) "Tourist" includes all Reporting Franchised Restaurants located at tourist destinations excluding theme parks.
- (5) "Casino" includes all Reporting Franchised Restaurants located in or adjacent to casino or other gambling institution, including those Reporting Franchised Restaurants located inside a casino/hotel that also includes a casino.
- (6) "Theme Park" includes all Reporting Franchised Restaurants located inside a theme park or amusement park. For purposes of this paragraph and the "Theme Park" entries in the table above, we include as "Reporting Franchised Restaurants" those Johnny Rockets Restaurants located inside a theme park or amusement park that, based on the seasonality of the theme park or amusement park, were not open for the entire twelve (12) month period between January 1, 2018 through December 30, 2018. These 25 Reporting Franchised Restaurants located inside a Theme Park were open for an average of 9 months out of the 2018 fiscal year.
- (7) "Downtown" includes all Reporting Franchised Restaurants located in a downtown area of a major metropolitan city.
- (8) "Mall" includes all Reporting Franchised Restaurants located inside an enclosed retail mall or shopping center.
- (9) "Lifestyle Streetfront" includes those Reporting Franchised Restaurants located: (i) in an open air retail shopping area or center with streetfront visibility or (ii) in the suburb or outside a downtown metropolitan area.
- (10) "Military" includes the Reporting Franchised Restaurants located on a military base.
- (11) "Grocery Anchored Center" includes all Reporting Franchised Restaurants located in a shopping center anchored by a grocery store.

- (12) "Outlet" includes all Reporting Franchised Restaurants located in a shopping center that primarily features outlet type retail stores.
- (13) "Power Center" includes all Reporting Franchised Restaurants located in a shopping center that is anchored by more than one "big box" retail store other than a grocery store.
- (14) "Strip Center" includes all Reporting Franchised Restaurants located in or attached to a strip center.
- (15) The "AUV for all Reporting Franchised Restaurants" represents the total unit volumes for all of the Reporting Franchised Restaurants (regardless of venue) included in the table above divided by 145.

Additional Notes

- (1) **Some outlets have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.**
- (2) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.
- (3) The most important factors in the success of any restaurant, including the one to be operated by you, are your personal business acumen, marketing, management, judgment and other skills, and your willingness to work hard and follow the System.
- (4) The profitability of individual restaurants depends on a number of factors that may vary due to individual characteristics of the franchised business. In addition, net profitability will be affected by required contributions for advertising and promotions as well as royalty fees paid to us.
- (5) You are responsible for developing your own business plan for your Restaurant, including capital budgets, financial statements, projections, and other elements appropriate to your particular circumstances. The expenses identified in this statement are not the only expenses that you will incur in the operation of your Restaurant. We encourage you to consult with your own accounting, business, and legal advisors to assist you in identifying the expenses you likely will incur in operating your Restaurant, to prepare your budgets, and to assess the likely or potential financial performance of your Restaurant. We also encourage you to contact existing Restaurant operators to discuss the business.
- (6) In developing the business plan for your Restaurant, you are cautioned to make necessary allowance for changes in financial results to income, expenses, or both that may result from operations of your Restaurant during periods of, or in geographic areas suffering from, economic downturns, inflation, unemployment, or other negative economic influences.
- (7) Other than the preceding financial performance representation, Johnny Rockets Licensing, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your

future income, you should report it to the franchisor's management by contacting, Franchise Administration Department, 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095, 888-856-4669, franchiseadmin@johnnyrockets.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION^{1,2}

JOHNNY ROCKETS RESTAURANTS

Table No. 1

Systemwide Outlet Summary For Fiscal Years 2016 to 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2016	173	182	+9
	2017	182	170	-12
	2018	170	169	-1
Company-Owned	2016	24	25	+1
	2017	25	20	-5
	2018	20	13	-7
Total Outlets	2016	197	207	+10
	2017	207	190	-17
	2018	190	182	-8

1. These tables reflect domestic outlet counts for our fiscal years ending January 1, 2017, December 31, 2017 and December 30, 2018

Table No. 2

**Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Fiscal Years 2016 to
2018**

State	Year	Number of Transfers
Maine	2016	0
	2017	0
	2018	2
California	2016	1
	2017	0
	2018	0
New Mexico	2016	0
	2017	1
	2018	0
Texas	2016	0
	2017	2
	2018	1
Virginia	2016	2
	2017	0
	2018	0
Total	2016	3
	2017	3
	2018	3

Table No. 3

**Status of Franchised Outlets
For Fiscal Years 2016 to 2018**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2016	2	0	0	0	0	0	2
	2017	2	0	0	1	0	0	1
	2018	1	0	0	0	0	0	1
Arizona	2016	6	1	0	0	0	0	7
	2017	7	1	0	0	0	0	8
	2018	8	0	0	1	0	0	7
Arkansas	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
California	2016	35	4	0	0	0	2	37
	2017	37	0	0	4	0	1	32
	2018	32	0	0	1	0	1	30
Colorado	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Connecticut	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
District of Columbia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Florida	2016	16	1	0	0	0	2	15
	2017	15	1	0	1	0	0	15
	2018	15	0	0	0	0	1	14
Georgia	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
Hawaii	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
	2018	2	1	0	0	0	0	3
Illinois	2016	3	0	0	0	0	1	2
	2017	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Kentucky	2018	2	0	0	0	0	0	2
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Maine	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Maryland	2016	8	1	0	0	0	1	8
	2017	8	0	0	0	0	0	8
	2018	8	0	0	0	0	0	8
Massachusetts	2016	5	0	0	0	0	0	5
	2017	5	0	0	1	0	0	4
	2018	4	0	0	0	0	0	4
Michigan	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Minnesota	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Missouri	2016	2	0	0	0	0	1	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nevada	2016	10	3	0	0	0	0	13
	2017	13	0	0	0	0	1	12
	2018	12	0	0	0	0	0	12
New Jersey	2016	7	0	0	0	0	0	7
	2017	7	1	0	0	0	1	7
	2018	7	0	0	0	0	1	6
New Mexico	2016	2	1	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
New York	2016	13	0	0	0	0	0	13
	2017	13	1	0	1	0	1	12
	2018	12	0	0	0	0	2	10
N. Carolina	2016	1	1	0	0	1	0	1
	2017	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
N. Dakota	2018	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Ohio	2016	2	0	0	0	0	0	2
	2017	2	0	0	1	0	0	1
	2018	1	0	0	0	0	0	1
Oklahoma	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Pennsylvania	2016	5	1	0	0	0	0	6
	2017	6	0	0	1	0	0	5
	2018	5	0	0	0	0	0	5
Rhode Island	2016	6	0	0	0	0	0	6
	2017	6	1	0	1	0	0	6
	2018	6	0	0	0	0	1	5
S. Carolina	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Tennessee	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Texas	2016	8	4	0	0	0	0	12
	2017	12	1	0	0	0	0	13
	2018	13	0	0	0	0	0	13
Utah	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Virginia	2016	6	0	0	0	0	1	5
	2017	5	0	0	1	0	1	3
	2018	3	0	0	1	0	1	1
Washington	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Wisconsin	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	1	0	0	0	0	3
Total	2016	173	18	0	0	1	8	182
	2017	182	7	0	12	0	7	170
	2018	170	2	0	3	0	7	162

Table No. 4

**Status of Company-Owned Outlets
For Fiscal Years 2016 to 2018**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	1	0	0
California	2016	5	0	0	0	0	5
	2017	5	0	0	0	0	5
	2018	5	0	0	2	0	3
District of Columbia	2016	2	0	0	1	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Florida	2016	2	0	0	1	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	1	0	0
Illinois	2016	1	0	0	0	0	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Indiana	2016	2	0	0	1	0	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Maryland	2016	1	1	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2017	2	0	0	0	0	2
	2018	2	0	0	1	0	1
	2019	2	0	0	1	0	1
Michigan	2016	1	0	0	0	0	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Nevada	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
New Jersey	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
New York	2016	3	2	0	1	0	4
	2017	4	1	0	1	0	4
	2018	4	0	0	2	0	2
North Carolina	2016	0	0	1	0	0	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Ohio	2016	1	0	0	0	0	1
	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
Virginia	2016	2	0	0	0	0	2
	2017	2	0	0	1	0	1
	2018	1	0	0	0	0	1
Total	2016	24	4	1	4	0	25
	2017	25	1	0	6	0	20
	2018	20	0	0	7	0	13

Table No. 5

Projected Openings for Upcoming Fiscal Year

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Massachusetts	1	1	0
Texas	1	1	0
New York	1	1	0
California	0	1	0
Total	3	4	0

Exhibit G lists the names of all of our area developers and Restaurant franchisees and the addresses and telephone numbers of their Restaurants as of December 30, 2018.

The following is a list of the name, city and state, and business telephone number (or, if not known, the last known home number) of each Johnny Rockets area developer who had their area development rights terminated or canceled or who otherwise voluntarily or involuntarily ceased to do business under an Area Development Agreement during the period of January 1, 2018 through December 30, 2018, or who has not communicated with JRL within ten weeks of the application date of this Disclosure Document: None.

The following is a list of the name, city and state, and business telephone number of each Restaurant franchisee who had a restaurant terminated, cancelled or not renewed or who voluntarily or involuntarily ceased to do business under a Restaurant Franchise Agreement during the period of January 1, 2018 through December 30, 2018, or who has not communicated with us within ten weeks of the application date of this Disclosure Document:

Name	City	State	Phone
Reva, Rip	Scottsdale	AZ	(480) 991-0031
Khaleghian, Reza	Tarzana	CA	(310) 749-5878
Eldridge, Diana	Miami	FL	(305) 253-8155
Wood, Godfrey (2)	Falmouth	ME	(207) 329-7126
Chicatelli, Louis	Niskayuna	NY	(518) 348-4045
Chopra, Vijay	New York	NY	(646) 965-1155

Name	City	State	Phone
Six Flags Entertainment Corp.	New York	NY	(212) 652-9403
Sugarman, Lloyd (2)	Providence	RI	(401) 572-3931
Sainz, Javier	San Antonio	TX	(956) 336-9836
Williams, Franklin (2)	Chester	VA	(804) 651-5083

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

During the last three years, franchisees have signed confidentiality clauses. In some instances, during the last three fiscal years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us. You may want to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Except for the Johnny Rockets Franchisee Advisory Council (Johnny Rockets Franchisee Advisory Council, 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095, (888) 856-4669, www.johnnyrockets.com) we have not created, sponsored or endorsed any trademark-specific franchisee associations, nor has any franchisee association asked to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit H are the audited consolidated financial statements of our parent company, TJRG, for the period ended December 30, 2018, as well as TJRG's audited consolidated financial statements for the periods ended December 31, 2017 and January 1, 2017. Also included in Exhibit H are TJRG's unaudited financial statements as of April 28, 2019.

Although included as part of TJRG's consolidated financial statement, you have not been provided with financial statements of JRL. Therefore, you do not have knowledge of how JRL specifically has performed.

TJRG absolutely and unconditionally guarantees the performance of our obligations to franchisees. Exhibit H contains a copy of the Guarantee of Performance. The Guarantee of Performance is on file in some states where we have registered this Disclosure Document.

ITEM 22

CONTRACTS

The following agreements related to a Restaurant are attached as exhibits to this Disclosure Document:

Exhibit B	Restaurant Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Gift Card Participation Agreement
Exhibit E	General Release
Exhibit F	Confidentiality Agreement

ITEM 23

RECEIPTS

The last two pages of this Disclosure Document, attached as Exhibit J, are detachable receipt pages. Please sign and date each of them as of the date you received this Disclosure Document and return one copy to us.

EXHIBIT A

**LIST OF AGENTS FOR SERVICE OF PROCESS
AND STATE ADMINISTRATORS**

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-1105
Telephone: 1-866-275-2677

HAWAII

Commissioner of Securities of the State of Hawaii
335 Merchant Street
Room 203
Honolulu, HI 96813

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Agent for Service of Process
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

State Administrator

Securities Commissioner
Indiana Securities Division
302 West Washington, Room E-111
Indianapolis, Indiana 46204

MARYLAND

Agent to Receive Process
Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

State Authority

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN

Consumer Protection Division
Attn.: Franchise
670 Williams Building
Lansing, Michigan 48913

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East
Suite 280
St. Paul, Minnesota 55101

NEW YORK

Agent to Receive Process
Secretary of State
State of New York
99 Washington Avenue
Albany, New York 12231

State Administrator

NYS Department of Law
Investor Protection Bureau
28 Liberty Street., 21st Floor
New York, New York 10005
212-416-8236

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capital Fifth Floor
Bismarck, North Dakota 58505
Telephone: (701) 328-4712

RHODE ISLAND

Rhode Island Department of Business Regulation
Securities Section
1511 Pontiac Avenue
John O. Pastore Center
Building 69-1
Cranston, RI 02920

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, SD 57501

VIRGINIA

Agent to Receive Process
Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

State Administrator

State Corporation Commission
Division of Securities and Retail Franchise
1300 East Main Street, 9th Floor
Richmond, Virginia 23209

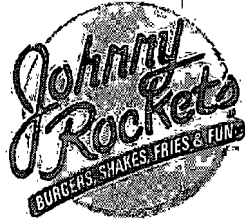
WASHINGTON

Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Division of Securities
Department of Financial Institutions
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT B
FRANCHISE AGREEMENT



JOHNNY ROCKETS LICENSING, LLC

FRANCHISE AGREEMENT

with

[FRANCHISEE'S NAME]

for

[Store #]

[Store Name]

[City, ST]

FRANCHISE AGREEMENT

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EXHIBITS TO FRANCHISE AGREEMENT

EXHIBIT A: DISCLOSURE ACKNOWLEDGMENT STATEMENT

EXHIBIT B: GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

EXHIBIT C: C-1 - CERTIFICATE OF CORPORATE RESOLUTION
C-2 - CERTIFICATE OF AUTHORITY AND INCUMBENCY BY MEMBERS OF A
LIMITED LIABILITY COMPANY

EXHIBIT D: SPECIAL TERMS AND CONDITIONS APPLICABLE TO FRANCHISEE'S
CONSTRUCTION AND OPENING OF A NEW RESTAURANT

EXHIBIT E: SPECIAL TERMS AND CONDITIONS APPLICABLE TO A FRANCHISEE OR
AFFILIATED FRANCHISEES THAT OPERATE MULTIPLE JOHNNY ROCKETS'
RESTAURANTS

EXHIBIT F: ADDENDUM RELATING TO SBA FINANCING

EXHIBIT G: LEASE ADDENDUM

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of _____ (the "Agreement Date"), by and between **JOHNNY ROCKETS LICENSING, LLC**, a Delaware limited liability company whose principal address is 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095, and _____, a _____, whose principal address is _____. For purposes of simplicity, we will sometimes refer to Johnny Rockets Licensing, LLC as "us," "we," "Franchisor," or "Johnny Rockets" and we will sometimes refer to you as "you" or "Franchisee."

CONTRACT DATA SCHEDULE

A. Location of the Restaurant (the "Premises"):

_____ (number)	_____ (street)	_____ (city or town)	_____ (state)	_____ (zip code)
(the "Restaurant").				

B. Term: Ten (10) years from the first date the Restaurant opens to serve the general public, or, in the case of an existing Restaurant, until _____.

C. Protected Area: One (1) mile radius around the Restaurant.

D. Initial Franchise Fee: Twenty Five Thousand and 00/100 Dollars (\$25,000.00).

D. Royalty Fee Rate: FIVE percent (5.00%) of Net Sales.

E. Marketing Fund Fee Rate: Currently ONE and THREE-FOURTHS percent (1.75%) of Net Sales (which can be increased by us, upon written notice, to not more than FOUR percent (4%) of Net Sales).

F. Initial Refurbishment Date: In the case of a new Restaurant, the date five (5) years from the first date the Restaurant opens to serve the general public; or, for an existing Restaurant, on or before _____.

G. Date Restaurant Opened: _____ (to be filled in upon opening).

- H. Riders:
- | | | |
|--------------------------|-------------|--|
| ☐ | Exhibit A | Disclosure Acknowledgment Statement |
| ☐ | Exhibit B | Guaranty and Assumption of Franchisee's Obligations |
| ☐ | Exhibit C | Certificate by Franchisee Entity |
| ☐ | Exhibit D | Franchisee's Construction and Opening of a New Restaurant |
| ☐ | Exhibit E | Special Terms and Conditions Applicable to a Franchisee or Affiliated Franchisees That Operate Multiple Johnny Rockets restaurants |
| ☐ | Exhibit F | Addendum Relating to SBA Financing |
| ☐ | Exhibit G | Lease Addendum |
| ☐ | State Rider | CA, HI, IL, MD, MN, NY, ND, RI, SD, VA, WA |

For Johnny Rockets use only:

BACKGROUND:

1. Through expenditure of considerable time, skill, effort and money, we have developed a system for establishing, operating and licensing distinctive, high quality restaurants serving the public under the name "Johnny Rockets®." The distinguishing features of the Johnny Rockets system include but are not limited to the "Johnny Rockets" name and trademarks; distinctive exterior and interior design, decor, color and identification schemes and furnishings established pursuant to our plans and specifications for construction, conversion, remodeling, decorating, equipment and layout; confidential food formulas, recipes, and specifications used in the preparation of food products (including ice cream and other frozen desert and related toppings recipes); and our distinctive business formats, construction plans, inspection and consultation programs, signs, equipment, layouts, methods, specifications, standards, confidential information, trade secrets, operating manuals and procedures, training programs and materials, and related materials, designs, advertising, publicity, and marketing programs, and other materials which we may modify from time to time (collectively, the "System").

2. We own, use, promote and license certain trade names, trademarks, service marks, logos, emblems, commercial symbols, trade dress and other indicia of origin, including colors, and applications related thereto, including but not limited to "Johnny Rockets®" (collectively, the "Marks"), and the confidential information, copyrights and business formats, procedures and standards which comprise the System. We may change, modify or improve the System to enhance the operations of Johnny Rockets restaurants. All improvements and additions you, we or anyone else, make to the System will become our sole property.

3. You desire to be granted a franchise and license to own and operate a Johnny Rockets restaurant using the Johnny Rockets System and Marks upon the terms and conditions set forth in this Agreement; and you understand that these terms and conditions are reasonably necessary to maintain uniform standards of quality and service and to protect the goodwill and enhance the public image of the Johnny Rockets System and Marks for the benefit of the Franchisor and all its franchisees.

NOW, THEREFORE, in reliance upon and in consideration of the above facts and the terms and conditions set forth below, the parties agree as follows.

1. GRANT OF LICENSE

A. GRANT OF LICENSE; TERM.

Subject to the provisions of this Agreement, we grant to you a license (the "License") to own and operate a Johnny Rockets restaurant (the "Restaurant") at the location described in Item "A" of the Contract Data Schedule of this Agreement (the "Premises"), and to use the System and the Marks in operating the Restaurant, for the initial term described in Item "B" of the Contract Data Schedule of this Agreement, unless this Agreement is sooner terminated as provided in Section 16 of this Agreement. Termination or expiration of this Agreement will constitute a termination or expiration of the License.

The License is specific to this one location only. You may not conduct your business pursuant to this Agreement from any location other than the Premises. You may provide food catering and delivery services from the Premises inside your Protected Area. However, you may not provide food catering and delivery services outside your Protected Area unless approved or specified by Franchisor.

(1) Commencement. The term of this Agreement begins on the date hereof, but the License shall only commence upon the occurrence of all of the following conditions prior to the initial opening or the transfer of the Restaurant, as the case may be:

(a) Selection and Acceptance of the Premises. If you have selected an area in which to locate your Restaurant but not a specific location, then you must select a specific location to serve as the Premises, which location must be accepted by us in our sole discretion. Our procedures for site acceptance are discussed in Exhibit D attached hereto. Upon your selection and our acceptance of a location, the Premises location shall be added to Item "A" of the Contract Data Schedule of this Agreement.

(b) Control of the Premises. You must have the exclusive right to occupy the Premises for use as a Johnny Rockets restaurant, whether you own the Premises or lease the

Premises from a third party landlord or from us or from one of our affiliates (the "Lease"). Any Lease from a third party landlord must include our Lease Addendum attached hereto as Exhibit H.

(c) New Restaurant. If you are opening a new Johnny Rockets restaurant, before you open for business, you must comply with all provisions of Exhibit D attached to and made a part of this Agreement relating to development and construction of new Johnny Rockets restaurants.

(d) Training. You and your Restaurant Managers must successfully complete our then-current required training program at our training restaurants and center, at locations from time to time designated by us. We may, in our sole discretion, modify this requirement, in whole or in part, if you or any of your Restaurant Managers have prior, comparable training or on-the-job experience.

(e) Payment. Before you begin operating the Restaurant, you must pay us and all third party vendors all moneys due, including but not limited to fees, inventory, rent, and/or security deposit if required under your Lease.

(2) Best Efforts. You acknowledge the importance to us and to other franchisees of your commitment to operate the Restaurant at all times in accordance with our standards that make up the System, in order to increase the demand for our products, to protect and enhance the reputation and goodwill of Johnny Rockets and to promote and protect the value of the Marks and System, among other reasons. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, and exert your continuous best efforts to promote and enhance the business of the Restaurant and the goodwill of the Marks and the System.

(3) Continuous Operation. Commencing on the date we authorize you to open the Restaurant for business to the public, you will continuously occupy, operate and do business in the Restaurant, for seven (7) days per week, 365 days per year, unless otherwise specified or approved, for such hours as we will from time to time direct or permit, provided, however, for no more than the maximum number of hours permitted by law or your Lease. It is also understood that the Restaurant may be closed for business while any repairs or refurbishment we approve are being diligently completed. You agree to operate the Restaurant in such a manner as to produce the maximum volume of Net Sales (as defined in paragraph 6.D. of this Agreement).

(4) Representation and Warranty. We approved your application to own and operate the Restaurant in reliance upon the representations you made to us, including but not limited to the information, representations and warranties contained in your application for a license. You represent and warrant that all financial and other information you provided to us is true and accurate.

B. YOUR PROTECTED AREA

During the Term, we will not open and operate or permit another party, including our parent and affiliates, to open and operate a new Johnny Rockets restaurant within a radius of one (1) mile measured from the front door of the Restaurant (your "Protected Area").

Our covenants in this paragraph 1.B are your only protection from Johnny Rockets branded competition and do not restrict us or our parent and affiliates from (i) selling Johnny Rockets products in supermarkets, convenience stores and other channels of distribution within your Protected Area, or (ii) owning or operating outlets under other brands within your Protected Area that may compete with you.

C. RIGHTS RESERVED BY JOHNNY ROCKETS.

Subject to rights expressly granted to you hereunder or under a Development Agreement, if any, we (including our parent, subsidiaries and affiliates) retain the following rights, in our sole and absolute discretion:

(1) Except as set forth in paragraph 1.B of this Agreement regarding your Protected Area, to operate and grant to others the right to operate Johnny Rockets restaurants or other restaurants using the

System or the Marks at such locations which may compete with you and draw customers from the same area as the Restaurant and on such terms and conditions as we deem appropriate;

(2) To acquire other companies, businesses and/or proprietary marks and to be acquired by others (in either case, regardless of the form of transaction, and even if the other business competes with you);

(3) To operate, and grant to others the right to operate restaurants under other trade names, trademarks, service marks and commercial symbols different from the Marks, notwithstanding the fact that such restaurants may be the same as or similar to a Johnny Rockets restaurant or may be located in your Protected Area;

(4) To sell products identified by the Marks or by other trademarks in any channel of distribution other than restaurants, without geographical limitation; and

(5) To own, operate or license others to operate Johnny Rockets restaurants at any site or location which is a non-traditional venue, even if located within the Protected Area, with such non-traditional venues including but not limited to (a) institutional settings, including airports, toll roads, travel plazas and other transportation facilities, colleges and universities, schools, hospitals, military facilities, governmental and municipal facilities, and office or in-plant food service facilities, (b) recreational settings, including, but not limited to, hotels, resorts, theme parks, fairs, stadiums, arenas, convention centers, casinos, public or private athletic fields, public parks and beaches, or any other venue where a temporary recreational event is open to the public, (c) American Indian reservations, and (d) any venue in which food service is or may be provided by a master-concessionaire or contract food service provider, including a shopping mall food court.

2. RENEWAL OF LICENSE.

You will have the right to automatically renew this Agreement at the end of the initial term of this Agreement for one additional **10 year** term, subject to receipt and approval of any documentation we may reasonably require, if all of the following conditions have been satisfied:

A. You have consistently complied with all your material obligations under this Agreement, including timely, accurate, and complete financial reporting of the Net Sales of your Restaurant and other required financial data; and the operations and financial condition of your Restaurant, and of all the other Johnny Rockets restaurants you operate, meet our standards under the Johnny Rockets System.

B. At the end of the initial term, you are current in all your monetary obligations to us and to all our affiliates and designated suppliers, you have timely and fully met all material monetary payment obligations throughout the term of this Agreement, and you are not otherwise in default under this Agreement or any other agreement with us or our affiliates.

C. At least twelve (12) months before the end of the initial term, you must give us written notice of your decision to renew your franchise.

D. You must execute, at least sixty (60) days in advance of the beginning of the renewal term, our then current form of franchise agreement, an appropriate lease (if applicable), and any other agreements required to be executed by franchisees (with appropriate modifications to reflect the fact that the agreements relate to your renewal). Those new agreements will completely supersede this Agreement, any existing Lease, and all other prior agreements. The new agreements may provide for an increase in royalty fees and marketing fund contributions, and the other terms of those new agreements may differ materially from the terms of this Agreement and the other agreements between us, but they will not grant any additional renewal rights.

E. You must pay our renewal fee in effect on the date of renewal, which shall be **50%** of the Franchisor's initial franchise fee in effect on the date of renewal.

F. You must complete to our satisfaction, and at your expense, all maintenance, remodeling, refurbishing, renovation, and modernizing of your Restaurant that we require to conform your Restaurant to the then current image and standards of Johnny Rockets restaurants.

G. You and your managers must comply with our then current qualification and training requirements as we direct in our complete discretion.

H. You and your affiliates may not be engaged in any litigation against us or any of our affiliates, and you and all guarantors of your obligations under this Agreement must execute, in the form then prescribed by us, a general release of any and all claims you may have against us and our affiliates, and their managers, members, officers, directors, agents, stockholders, and employees.

The renewal term specified in this Section will not exceed the expiration date of the term of any existing Lease for your Premises (plus all extension options and renewal terms of that Lease, if any) if you do not own or control the Premises.

3. SERVICES FURNISHED BY JOHNNY ROCKETS.

A. SERVICES FOR THE INITIAL OPENING OF THE RESTAURANT.

We will provide you the following services prior to and at the initial opening of a new Johnny Rockets restaurant (these provisions do not apply to a transfer of an existing restaurant):

(1) We will review and accept or decline the location you select for our Restaurant, and if accepted, will make available to you our standards for the initial design, construction, equipping and operation of the Restaurant;

(2) For the first Johnny Rockets restaurant developed by you and your affiliates, we will make our then-current initial training program regarding the operation of Johnny Rockets restaurants available to five (5) individuals designated by you, one of whom must be a party to or guarantor of this Agreement, at our training facility and/or a designated training restaurant; For the second Johnny Rockets restaurant developed by you and your affiliates, we will make such training available to three (3) individuals designated by you;

(3) We will make our current confidential Operations Manual available to you, so that you have access to the standards and procedures you must implement at the Restaurant;

(4) We will make available assistance in the pre-opening, opening and initial operation of the Restaurant, at levels we deem advisable based upon your organization, prior experience and training. We will, in our sole discretion, determine the number of persons, if any, we will provide to assist you in opening the Restaurant, their duties and all other matters relating to such persons. If this Restaurant is the first (1st) or second (2nd) Johnny Rockets restaurant developed by you and your affiliates, we will provide you, at no cost, our standard opening team for a standard duration of time. Standard services are less for the 2nd Restaurant. If you desire or require additional and/or extended opening team services for this Restaurant, you agree to reimburse us for our out-of-pocket expenses for such personnel, including, but not limited to, salary, wages, travel, lodging, meals, local transportation and miscellaneous office expenses. We will select the appropriate transportation, lodging and meal expense limitations in accordance with our then-applicable per diem policy.

(5) We will assist in the preparation and coordination of a restaurant grand opening promotional advertising program, in such form and content as we may specify, to promote and support the initial opening of your Restaurant.

B. SERVICES AFTER THE INITIAL OPENING OF THE RESTAURANT.

After the initial opening of the Restaurant, we will or may (as described below) provide you from time to time with consultation, advice, guidance, and support with respect to the following:

- (1) Operations Manual. We will continue to grant you electronic or other access to our confidential Operations Manual (see Section 3.C below);
- (2) Suppliers. We will continue to provide you with a list of approved suppliers of equipment, products and supplies for the operation of the Restaurant;
- (3) Restaurant Inspections. From time to time as we decide, we or our agent or designee shall inspect the Restaurant and its operation to evaluate compliance with the System, the Operations Manual, and the Agreement, and shall notify you of and provide you with an opportunity to correct any deficiencies or unsatisfactory conditions identified in such inspection, as explained in more detail in Section 12;
- (4) Website and social media. We have established and intend to maintain a Johnny Rockets website, and will exercise sole control over the content of the website. We have the right, but not the obligation, at our sole discretion, to establish, maintain, modify, or discontinue any and all internet, social media, and electronic commerce activities pertaining to the System, including the Johnny Rockets website;
- (5) Marketing. We will develop and implement advertising and promotional programs;
- (6) Conferences. We may require you or your Restaurant managers to attend Johnny Rockets franchise conferences which may be offered by us from time to time, at our sole discretion;
- (7) Ongoing Training. After the training we provide before the opening of your Restaurant, we will provide additional training or training programs as set forth in Section 3.D below, or as we otherwise choose to provide in our sole discretion. If you request special training of Restaurant personnel or other assistance in operating the Restaurant, and such training takes place at the Restaurant, you must pay all our expenses for such training, including travel, local transportation, and living expenses, including meals, for our personnel in accordance with our applicable per diem policy;
- (8) Other Consultation and Services. From time to time we may consult with you regarding the operation of your Restaurant, and may provide you with additional consultation, advice, guidance and services beyond those enumerated above, as we deem appropriate in our complete and sole discretion, either with or without cost to you.

C. OPERATIONS MANUAL AND SYSTEM STANDARDS.

(1) We will, during the term of the Agreement, make our confidential Operations Manual available to you exclusively at a secure Internet website for franchisees or in such other form or manner as we may specify. The Operations Manual contains specifications, standards and operating procedures to be followed in operating Johnny Rockets restaurants. The standards, specifications, and methods or procedures relating to the development and/or operation of a Johnny Rockets restaurant, as set forth in the Operations Manual or as otherwise communicated by us to you from time to time in writing (including via e-mail), are collectively referred to herein as our "Standards".

(2) We will from time to time modify the Operations Manual to reflect changes in the Standards for Johnny Rockets restaurants, and you will comply with all new mandatory Standards within a reasonable time after we specify or, if no time is specified, within 30 days after receiving notice of the requirement. We may communicate additions, deletions or modifications to our Standards to you by a variety of means, including, without limitation, email, certified mail, regular mail, newsletters and/or training materials. You must remain current in your knowledge of the Standards. If a dispute arises regarding the contents of the Operations Manual, the master copies we maintain on the website and/or at our principal office will control.

(3) The Operations Manual is confidential, copyrighted and our exclusive property. You must restrict employee access to the Operations Manual on a need to know basis, and take reasonable steps to prevent unauthorized disclosure, copying, and use of information in the Operations Manual. You may not at any time, without our prior approval, copy any part of the Operations Manual or disclose any part of it to employees or others not having a need to know its contents for purposes of operating the Restaurant.

D. TRAINING.

Prior to the initial opening of the Restaurant, we will provide you and your Restaurant Managers (as defined in paragraph 7.K. below) our current training program for the operation of a Johnny Rockets restaurant. During the term of the License, we will, subject to availability and at your cost, also furnish the then-current training program to all successor Managers. Training programs will include classroom instruction and field training and will be furnished at our training facility and/or at a certified Johnny Rockets training restaurant. We will also, from time to time in our sole discretion, offer and/or require you and your Managers to attend additional or supplemental training, presented at another Johnny Rockets restaurant, a regional conference center, or our Training Facility.

(1) You and your Restaurant Managers must obtain our written certification of successful completion of our required training program. You will not cause or permit the Restaurant to be supervised by any person who is not so certified. If any of your proposed or existing Restaurant Managers fail to obtain such certification, you must, as soon as practicable, hire a replacement who must be so certified or who must promptly complete our training program to our satisfaction. We may also offer such refresher or supplemental training programs to you and such persons as we deem appropriate at such places as we designate. By giving you prior written notice, we will have the right to require attendance at any refresher or supplemental training program by you or any of such persons.

(2) As described in the franchise disclosure document you received, you may be required to pay us tuition fees for the required initial training program. You will also pay us such tuition and/or participation charges as we from time to time establish for any successor, refresher or supplemental training programs. You will be responsible for all travel, local transportation, and living expenses, including meals, and compensation of yourself and your Restaurant Managers incurred while attending initial training programs, and any successor, refresher or supplemental training programs we offer to you or require you or such persons to attend.

(3) As described in the franchise disclosure document you received, you must also pay us our reasonable fees for training materials and you must purchase certain equipment we may, from time to time, require you to use in training.

4. MARKS.

A. GOODWILL AND OWNERSHIP OF MARKS.

You acknowledge that the Marks, and the goodwill associated therewith, are owned by and the exclusive property of Franchisor or Franchisor's affiliates. Your right to use the Marks is non-exclusive and derived solely from this Agreement, and is limited to use in connection with your operation of the Restaurant pursuant to and in compliance with this Agreement and all applicable Standards we prescribe from time to time. You may not sublicense the Marks. Your usage of the Marks and any goodwill established by your use of the Marks will inure to our exclusive benefit, and this Agreement does not confer any goodwill or other interests in the Marks upon you other than the right to use the Marks in connection with operating the Restaurant in compliance with this Agreement.

B. LIMITATIONS ON YOUR USE OF THE MARKS.

To protect the Marks, the System, and the goodwill associated therewith, you must comply with the following provisions, unless we otherwise consent in writing:

(1) You may use only the Marks designated by us, and only in the manner authorized and permitted by us.

(2) The Marks must be prominently displayed in the manner we prescribe at the Restaurant, on menus, and in connection with advertising and marketing materials.

(3) You must not use any Mark as part of any corporate or trade name, including, but not limited to, "Johnny Rockets", or any form or variations thereof which, in our sole judgment, is likely to cause confusion or mistake regarding the separate identities of Johnny Rockets and Franchisee.

(4) You must not register or use any of our Marks as part of a domain name or electronic mail or social media address.

(5) You may not use the Marks or promote your Restaurant on the Internet or on any other online, mobile, or electronic network without our prior approval. This includes any social networking site (such as a Facebook page or Twitter account), URL, domain name, meta-tag, download, application, posting, directory listing, blog, email account, instant messaging account, texting identity, user generated content, or any other electronic identifier. Prior to promoting your Restaurant on the internet, you must submit to us the content for our review and approval. We have established or may establish policies for the use of various types of online media by franchisees.

(6) You may not use any of our Marks in connection with the performance or sale of any unauthorized services or products, or in any other manner we have not expressly authorized in this Agreement or otherwise in writing. Any unauthorized use of the Marks by you will constitute a breach of this Agreement and an infringement of our rights in the Marks.

(7) You must not employ any of the Marks in signing contracts, applications for licenses or permits, or in any manner that may imply our responsibility for, or result in our liability for, any of your indebtedness or obligations.

(8) You must give notices of trade and service mark registrations we specify, and obtain fictitious or assumed name registrations as required under applicable law.

C. CLAIMS AND INFRINGEMENTS.

You will not directly or indirectly contest or aid in contesting the validity or our ownership of the Marks. You will not, directly or indirectly, apply or assist another to apply to register, re-register or otherwise seek to use or control or in any way use any of the Marks or any confusingly similar form or variation thereof in any place or jurisdiction outside the United States. You must immediately notify us if you become aware of any apparent infringement of, challenge to, or claim of rights in, any of the Marks or any part of the System. You may not communicate with any person, other than us and counsel for you and us, in connection with any infringement, challenge, or claim. We have exclusive right and authority to take any action, and we have the exclusive right to control any settlement, litigation, or U.S. Patent and Trademark Office or other proceeding, arising out of an alleged infringement, challenge, or claim, or otherwise relating to any of the Marks or any part of our System. You must execute all documents, render all assistance, and do all other things that, in our opinion, are necessary or advisable in any litigation or proceeding, or to protect or maintain our interests in the Marks and the System.

D. DISCONTINUANCE OF OR CHANGE IN MARKS.

We shall have the right, at our sole discretion, to change, add, or discontinue use of any of the Marks, or to introduce additional or substitute Marks; and you shall take such action, upon a reasonable period of time after receipt of written notice and at your sole expense, as is necessary to comply with all such changes, alteration, discontinuation, addition or substitution of Marks.

E. WE INDEMNIFY YOU.

We agree to indemnify you against, and to reimburse you for, and, at our option, to defend you against, all damages for which you are held liable in any proceeding arising out of your use of our Marks in connection with operating your Johnny Rockets® Restaurant pursuant to and in compliance with this Agreement, and for all

costs you reasonably incur in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, including reasonable attorney's fees, provided that you have timely notified us of such claim or proceeding and you have otherwise complied with this Agreement. We may assume (but we are not obligated to undertake) defense of any claim, or select associate counsel with respect to the defense or settlement of any claim. If we do not assume defense of the claim, we must approve any counsel you employ in the defense of any such claim. In the event we elect to defend any such claim, the fees and expenses of any separate counsel you employ will not be reimbursable.

5. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTOR.

It is the express intention of the parties hereto that the Franchisee is and shall be an independent contractor of Franchisor. The Franchisee is not and shall not be considered a legal representative or agent of the Franchisor. The Franchisor and the Franchisee have a business relationship based entirely on and defined by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship shall exist between Franchisor and Franchisee. Nothing in this Agreement is intended to grant either you or us the right to direct or supervise the daily affairs of the other.

(1) No Direct Franchisor Control.

The Franchisor has no right to, and will not, directly control or direct the operations of the Franchisee's Restaurant or its Premises. Any required Standards in this Agreement (and those in the Operations Manual) exist to protect the Franchisor's interests in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Franchisee's business. The Franchisor is not the employer of the Franchisee, and is not the employer (or joint employer) of the Franchisee's employees. The Franchisee will exercise complete control over, and have full responsibility for, its contracts, daily operations, labor relations, employment and personnel practices and policies, and management and operation of the Restaurant, including the recruitment, selection, hiring, disciplining, firing, compensation, work rules and schedules of its employees.

(2) Notice of Independence.

During the term of this Agreement and any renewal term, you shall hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You shall take all appropriate action to make it clear to the public that you are an independent business that is not operated or controlled by us, including exhibiting signs or notices approved by us in conspicuous places in the Restaurant.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

You will not take any action that may imply that we are responsible, or which may result in liability to us for, any of your indebtedness or obligations. Except as expressly authorized in writing, neither we nor you may make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name of or on behalf of the other, or represent that our relationship is other than Franchisor and Franchisee.

C. TAXES.

Except for taxes which we are required to collect from you in connection with items you purchase from us, we will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon you, the Restaurant, your property, us or the royalty, marketing or any other fees.

which you pay to us, in connection with the sales made or business conducted by you. Payment of all such taxes will be your responsibility.

D. YOU INDEMNIFY US.

To the fullest extent permitted by law, Franchisee will indemnify, defend and hold harmless Johnny Rockets, our parent, subsidiary or affiliated entities, and their and our shareholders, directors, partners, officers, employees, agents, representatives, successors and assignees (collectively, the "Indemnitees"), from and against any and all claims, losses, liabilities, demands, damages, causes of action, governmental inquiries and investigations, costs and expenses, including reasonable attorneys' and accountants' fees, which directly or indirectly arise out of, result from, or are connected with this Agreement, the development, condition, operation, use, or maintenance of the Restaurant or the Premises, your negligence or willful misconduct, or any of your actions, errors, omissions, breaches or defaults under this Agreement; provided, that these obligations shall not apply to any claim or loss that is proven to have been caused solely by our negligence or willful misconduct. For purposes of this section, "claims" shall mean and include all obligations, actual and consequential damages, expenses, losses, costs, and other liabilities, and all attorneys' fees and other costs and expenses reasonably incurred in the defense of any claim against the Indemnitees, whether or not a lawsuit is filed. If the Indemnitees reasonably conclude that their interests are not being adequately represented by your counsel, the Indemnitees will have the right to employ their own attorneys to defend any claim against them in the manner they deem appropriate or desirable in their sole discretion, and your indemnification hereunder shall apply to and include the costs incurred in any such defense. Your obligation to indemnify the Indemnitees will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

6. CONFIDENTIALITY.

A. OUR CONFIDENTIAL INFORMATION.

The Franchisee and its principals, shareholders, partners, members, managers, officers, and owners and any other person who holds a direct or indirect ownership interest in Franchisee of 10% or more (individually a "Principal" and collectively the "Principals") acknowledge that over the term of this Agreement they will receive Confidential Information, as defined below, which the Franchisor has developed over time at great expense, including information regarding the System and Standards. The Franchisee and its Principals further acknowledge that the Confidential Information, including information contained in the Operations Manual, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time consuming, and difficult. The Franchisee and its Principals further acknowledge that the Confidential Information provides a competitive advantage and will be valuable in the development and operation of the Restaurant, and access to it is a primary reason for entering into this Agreement.

Our "Confidential Information" means any information related to the System that we disclose to you that we designate as confidential; or that, by its nature, would reasonably be expected to be held in confidence or kept secret, including, without limitation, the following:

- (1) the Operations Manual and the Standards therein;
- (2) non-public aspects of methods and procedures relating to the development and operation of Johnny Rockets restaurants, whether contained in the Operations Manual or otherwise;
- (3) recipes, menu analyses, and methods, procedures, and techniques for preparing ice cream, other frozen desserts, and other food products offered in Johnny Rockets restaurants;
- (4) knowledge of test programs, concepts and results relating to the planning, development and testing of the System and products and services offered in Johnny Rockets restaurants;
- (5) sources for purchase of furniture, fixtures, equipment, food, beverages and other ingredients and materials used by Johnny Rockets Restaurants;

(6) methods (including but not limited to pricing methods), techniques, standards, specifications, procedures, information, systems and knowledge of and experience in the development, licensing and operation of Johnny Rockets restaurants;

(7) trade secrets as defined by applicable federal and state law; and

(8) any and all other information or knowledge that we advise you, in writing, is confidential.

Our Confidential Information shall not include information, processes, or techniques which (i) are or become generally known in the restaurant industry or to the public, other than through disclosure in violation of this Agreement or any other breach of confidentiality owed (by anyone) to us; (ii) becomes known to you from a source other than us and other than by the breach of an obligation of confidentiality owed (by anyone) to us; or (iii) was independently developed by you without the use or benefit of our Confidential Information. You will have the burden of proving the applicability of the foregoing.

B. RESTRICTIONS ON YOUR USE OF OUR CONFIDENTIAL INFORMATION.

You and your Principals will not acquire any interest in the Confidential Information, other than the right to use it in the development and operation of the Restaurant. The use of the Confidential Information in any other business, or the disclosure of the Confidential Information to any other person or entity, will constitute an unfair method of competition which could cause immediate irreparable harm to us and to other Johnny Rockets restaurant franchisees. Accordingly, you and your Principals agree that they:

(1) will not use the Confidential Information in any other business or capacity;

(2) will not communicate, divulge or disclose the Confidential Information to, or use the same for the benefit of any person, persons, partnership, association or corporation, other than in connection with the development or operation of the Restaurant;

(3) will divulge the Confidential Information only to such of your employees as must have access to it to operate the franchised business, and on a need-to-know basis;

(4) will not make unauthorized copies of any portion of the Confidential Information whether in written, audio, video or other reproducible form; and

(5) will adopt and implement procedures, some of which we may prescribe, to prevent unauthorized use or disclosure of the Confidential Information, including requiring your Restaurant Managers and other employees who have access to the Confidential Information to execute confidentiality agreements in the form we approve or prescribe prior to or during their employment.

Furthermore, other than for consumption in the Restaurant or approved carry-out or retail sales programs, you agree not to sell or provide to any person or entity other than us or our designee, for use, testing or any other purpose, any mixes or formulations for preparation of products you purchase from us or our designees.

We acknowledge that the foregoing restrictions on your disclosure and use of Confidential Information do not apply to the disclosure of Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided that you have used your best efforts, and have afforded us the opportunity, to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

You agree to fully and promptly disclose to us, all ideas, concepts, formulas, recipes, methods and techniques relating to the development and/or operation of the Restaurant, conceived or developed by you and/or your employees during the term of this Agreement. Such ideas, concepts, formulas, recipes, methods and techniques will be our sole property, and you will not be entitled to any compensation whatsoever for the same.

C. YOUR CONFIDENTIAL INFORMATION.

We will treat as confidential the reports and Records we receive from you pursuant to Section 11 below, provided, however, that information may be released (a) to any person entitled to the same under any lease; (b) in connection with any court order, legal proceeding or arbitration proceedings, whether instituted by us or any other

party; (c) to a prospective transferee of any interest subject to the transfer provisions of this Agreement, and (d) as incorporated into anonymous general information disseminated to franchisees, prospective franchisees and other third parties and in the formulation of plans and policies in the interest of the System. We will also treat as confidential such personal financial records as you may give us pursuant to paragraph 12.C. below, provided, however, that such information may be released if required in connection with any court order or legal or arbitration proceeding, whether instituted by us or any other party, provided that you receive notice of and an opportunity to obtain an appropriate protective order or other assurance satisfactory to you of confidential treatment for the information required to be so disclosed.

7. FEES.

A. INITIAL FRANCHISE FEE.

Upon the execution of this Agreement, you will pay to us the initial franchise fee set forth in Item "C" of the Contract Data Schedule of this Agreement (the "Initial Franchise Fee"), subject to credit for any deposit you paid with your application for this Agreement or any portion of the Development Fee paid for this location under the provisions of your Development Agreement, if applicable. The Initial Franchise Fee is fully earned and non-refundable.

B. ROYALTY FEES.

You will pay to us a weekly "Royalty Fee" determined by multiplying the Net Sales of the Restaurant (as defined in paragraph 7.D. below) for the immediately preceding week ending on Sunday times the percentage set forth in Item "D" of the Contract Data Schedule of this Agreement. The Royalty Fee will be payable not later than the Friday of the following week, without deduction or set-off, based on Net Sales for the prior week.

C. MARKETING FUND FEES.

At the same time as you pay the Royalty Fee provided under paragraph 7.B. above, you will also pay to the Marketing Fund described in paragraph 10.A., for the immediately preceding week, without deduction or set-off, a weekly fee determined by multiplying the Net Sales of the Restaurant, as defined in paragraph 7.D below, times the percentage set forth in Item "E" of the Contract Data Schedule of this Agreement or as otherwise specified in writing by us, not to exceed Four percent (4%) of Net Sales.

You will, from time to time, also pay to the Marketing Fund, at the same time as, for the same Fiscal Month as, in the same manner as, and in addition to the marketing fund fee provided above, an additional percentage of Net Sales (the "Additional Advertising Contribution") if the owner(s) of at least two-thirds of the Johnny Rockets restaurants (both company and franchised) in your advertising market vote to pay such Additional Advertising Contribution. We will designate, and may from time to time change, the advertising market as we reasonably determine. We will provide notice and administer the vote. The two-thirds threshold will be determined one vote per restaurant. The period that each Additional Advertising Contribution is payable shall not exceed one (1) year in duration. Additional Advertising Contributions may be cumulative. If our affiliate, Johnny Rockets Restaurants, LLC, operates two-thirds or more of the full service restaurants in your advertising market, your total Additional Advertising Contributions at any one time cannot exceed one-half percent (0.50%) of Net Sales.

D. DEFINITIONS.

(1) Net Sales. As used in this Agreement, the term "Net Sales" shall mean Gross Sales less deductions set forth below. "Gross Sales" are all revenues from the sale of all products or services by or for you or the Restaurant, in, upon, or from the Premises, or through or by means of the business conducted at the Restaurant, the Premises or otherwise, whether derived from cash, credit, the redemption of coupons or gift certificates, or otherwise, and regardless of collection. To arrive at "Net Sales", deduct the following items from Gross Sales: (a) sales and service taxes collected from customers and paid to the appropriate taxing authority; (b) revenues from the sale of gift certificates; (c) the discounted portion of menu prices whether for employee meals or by way of coupons, approved promotions or otherwise; (d)

rebates or refunds to customers; and (e) revenues generated by promotional giveaways which are solely for the benefit of recognized charitable organizations and for which all profits generated thereby are received by said charitable organization.

(2) Fiscal Month. Each Fiscal Month begins on a Monday and ends on a Sunday. For each calendar quarter, the first and second Fiscal Months are four (4) weeks and the third Fiscal Month is five (5) weeks, with a periodic sixth (6th) week for alignment purposes. We will post on our Intranet website or in another location the specific beginning and end dates for each Fiscal Month of the current or next Fiscal Year.

(3) Fiscal Year. Each Fiscal Year ends on the last Sunday in December, unless that is earlier than December 28th, in which case the Fiscal Year ends on the following Sunday.

(4) We reserve the right to change, by written notice, the definition of Fiscal Month and/or Fiscal Year in connection with a change in our accounting policies and procedures.

E. ADVANCES.

You shall immediately repay to us all amounts, if any, advanced by us or which we have paid, or for which we have become obligated on behalf of you whether or not at your request, including any payments made on trade accounts and taxes as provided for in Section 9 of this Agreement and insurance as provided for in Section 8.L of this Agreement. We shall be under no obligation to make any such advances, and any decision to do so shall be at our sole discretion.

F. ELECTRONIC FUNDS TRANSFER.

At our election, we may require you to pay your Royalty Fees, Marketing Fund Fees and any other recurring payments to us, our parent, subsidiaries or affiliates, such as rent or note payments, by electronic funds transfer ("ACH"). Acceptance of payment by ACH will not be deemed a waiver of any of our rights. You agree to promptly provide us all consents, authorizations and bank account data we need to establish ACH capability at your bank. You also agree:

(1) to promptly provide us such forms as we may from time to time require to effectuate any changes needed to maintain ACH capability;

(2) to give us at least fourteen (14) days written notice (except in the case of emergency) before you make any change to your ACH bank account (providing all information and specimens required to change ACH to the new account);

(3) to immediately replace any ACH request rejected by your bank with a bank certified or cashier's check in the aggregate amount owed, plus interest, late fees, collection fees, costs of collection and attorneys' fees.

G. INTEREST AND LATE CHARGES.

(1) If any Royalty Fee, Marketing Fund Fee, or other payment to us or our parent or any subsidiary or affiliate is not paid when due, you will pay to us, our parent, subsidiary or affiliate, in addition to the unpaid amount, beginning on the date such amounts were due: (a) a late charge to compensate us for additional administrative costs incurred by us, in an amount equal to the greater of (i) ten percent (10%) of such payment, or (ii) two hundred fifty dollars (\$250.00), plus (b) interest at the lower of the maximum rate permitted by law or eighteen percent (18%) per annum from the date such payment was due until it is paid. This paragraph 7.F. does not constitute an agreement on our part to accept payments from you after the payments are due or our commitment to extend credit to, or otherwise finance your operation of, the Restaurant. Further, your failure to pay all amounts when due to us, our parent, subsidiaries or affiliates will constitute grounds for termination of this Agreement, as provided herein.

(2) Receipt of any check, draft or other commercial paper will not constitute payment until such funds are actually collected. You will pay all collection charges on dishonored checks or ACH payments, including

reasonable attorney's fees. At our request, you will promptly replace any dishonored and returned check(s) with a bank certified or cashier's check in the aggregate amount owed, plus interest, late fees, collection fees, costs of collection and attorney's fees.

H. TAX ON ROYALTY AND MARKETING FUND FEES.

You agree to pay any sales, excise, use, privilege or other tax imposed or levied by any government or governmental agency on account of your payment of any of the fees under this Agreement. This provision does not apply to income taxes.

I. APPLICATION OF PAYMENTS.

We have sole discretion to apply any of your payments to any of your past due indebtedness in such order and amounts as we may elect. The acceptance of a partial or late payment will not constitute a waiver of any of our rights or remedies contained in this Agreement.

8. RESTAURANT OPERATING STANDARDS.

To maintain uniform standards of operation and quality for all Johnny Rockets restaurants and to protect the goodwill of Franchisor, the System, and the Marks, you shall comply with the following provisions in the operation of the Restaurant and Premises.

A. SPECIFICATIONS, STANDARDS AND PROCEDURES.

Your operation of the Restaurant in compliance with our Standards is important to us, to the System, and to all other Johnny Rockets restaurant franchisees. You agree to strictly comply, at your expense, with all mandatory Standards as set forth in the Operations Manual or as otherwise communicated by us from time to time, and not to deviate from the same without our prior written consent.

All of our Standards shall be considered mandatory unless we specify that they are only suggestive, and therefore optional; provided that, notwithstanding any other provision of this Agreement or of the Operations Manual, any portions of the Operations Manual or other Standards addressing franchisee employment or personal practices, policies or procedures shall be considered only suggestive and optional, and not mandatory; and the franchisee alone will determine to what extent, if any, those policies and procedures might apply to its restaurant operations.

Because strict uniformity may not be possible or practical in all circumstances and at all restaurant locations, we have the right to provide exceptions, waivers or modifications of our Standards at particular locations, as we may deem appropriate for the System and/or for any individual restaurant.

B. CONDITION, APPEARANCE AND OPERATION OF THE RESTAURANT.

You agree to manage and control the day-to-day operations of the Restaurant, including, but not limited to, the following:

(1) Use the Premises only for the operation of a Johnny Rockets restaurant in compliance with this Agreement and for no other purpose whatsoever;

(2) To maintain the condition and appearance of the Restaurant, its equipment, furniture, furnishings, signs and the Premises in accordance with our Standards and consistent with the image of a Johnny Rockets restaurant as an efficiently operated business offering high quality food service and observing the highest standards of cleanliness and sanitation;

(3) To perform all periodic maintenance with respect to the decor, equipment, furniture, furnishings and signs of the Restaurant and the Premises that is required from time to time to maintain such condition, appearance and efficient operation, including, without limitation:

- (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at reasonable intervals;
 - (b) interior and exterior repair of the Premises; and
 - (c) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings, and signs.
- (4) Not to make any material alterations to the Premises, or to the appearance of the Restaurant as originally developed, without our prior written approval;
- (5) To place or display at the Premises (interior and exterior) only approved signs, emblems, lettering, logos and display and advertising materials.
- (6) To immediately rectify all hazardous conditions and immediately remove and destroy any and all hazardous products. For purposes hereof, "hazardous conditions" are conditions that pose a risk of injury, illness or death; and "hazardous products" are products that are unfit for human consumption or otherwise pose a risk of injury, illness or death.
- (7) To employ only such methods of product storage, handling, preparation, packaging, delivery and sale as we from time to time prescribe in the Operations Manual or otherwise communicate or approve in writing. You must sell, distribute and deliver such products only in weights, sizes, forms and packages as we provide in the Operations Manual or otherwise communicate or approve in writing.
- (8) To discontinue offering for sale any product if we at any time notify you in writing of our withdrawal of our approval of that product for sale at the Restaurant.
- (9) To maintain as business records provided in paragraph 11.A. below, and to furnish us on a monthly basis, copies of all customer complaints and notices not received directly by us, and all warnings, citations, inspection reports and other communications from public authorities related to the Restaurant. Franchisee hereby authorizes any such public authority to provide Johnny Rockets with copies of such notices and/or communications. You must promptly notify us if any suit, investigation or other legal proceeding related to your Restaurant business is commenced by or against you, and you must keep us continuously advised of the status of the matter.
- (10) To record all sales at the Restaurant at the time of sale, in accordance with our procedures and on devices, the make, model and serial numbers of which we have individually approved in writing. Such devices must record accumulated sales in a manner that cannot be modified, turned back or reset, and must retain data in memory storage in the event of power loss. You agree to accurately report all Net Sales to us and implement all procedures we recommend to minimize employee theft. You further acknowledge and agree that employee theft will not relieve you of the obligation to make all payments to us based on Net Sales pursuant to this Agreement and that accurate reporting of Net Sales requires, among other things, compliance with all Standards related thereto and recording all sales at the time the product is delivered to the purchaser, including, without limitation, bulk discount sales, whether for cash, by redemption of gift certificates or coupons, or sales for which payment may be deferred.

C. RESTAURANT MENU.

The Restaurant will offer for sale all food and beverage products and services that we require and sell only products that we have approved. The Restaurant will not sell any products to any person for resale to any third person. The Restaurant cannot offer for sale or sell at the Premises or any other location any unapproved products, or use the Premises for any purpose other than the operation of the Restaurant.

We may, from time to time in our sole discretion, approve the Restaurant offering products and/or services on a test basis. We may condition our approval in any reasonable manner and we may stop the test at any time after its commencement.

D. APPROVED PRODUCTS, DISTRIBUTORS AND SUPPLIERS.

The reputation and goodwill of Johnny Rockets restaurants is based upon and maintained by the sale of distinctive, high quality, and uniform food products and beverages and the presentation, packaging, service and delivery of such products in an efficient and appealing manner. We have developed various proprietary products according to our proprietary and secret recipes and formulas. In addition, we have developed standards and specifications for non-proprietary food products, ingredients, seasonings, mixes, beverages, materials and supplies incorporated in or used in the preparation, cooking, serving, packaging and delivery of prepared food products authorized for sale at Johnny Rockets restaurants. We have and will periodically approve suppliers and distributors of such products that meet our standards and requirements.

(1) Proprietary Products – You must purchase proprietary products from us or a third party approved and designated by us to prepare and sell those proprietary products; and

(2) Non-Proprietary Products – You must purchase all other furnishings, fixtures, signs, equipment, food products, ingredients, seasonings, mixes, beverages, materials and supplies used in the preparation of products; menus, paper, glassware, china and plastic products; packaging or other materials, utensils and uniforms that meet our standards and specifications from suppliers we have approved in writing as having demonstrated to our reasonable satisfaction (a) the capability to supply products that meet all of our standards and (b) adequate capacity and facilities to supply your needs, as well as the needs of other franchisees, in the quantities, at the times and with the reliability requisite to an efficient operation.

You will maintain a sufficient quantity and variety of approved food products, beverages, ingredients and other products.

We can approve a single distributor or other supplier for any product and can approve a distributor or other supplier only as to certain of the products. We can concentrate purchases with one or more distributors or suppliers to obtain lower prices and/or the best advertising support and/or services. Approval of a distributor or other supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, and concentration of purchases, and may be temporary, pending our further evaluation of such distributor or other supplier.

You can request our approval of alternative suppliers or distributors for non-proprietary products. Our evaluation of your prospective suppliers and/or distributors will be conditioned upon payment of our reasonable evaluation costs. You will notify us and submit to us all information, specifications and samples that we reasonably request if you propose to purchase any non-proprietary item from a distributor or other supplier who has not been previously approved by us. We will notify you within a reasonable time whether you are authorized to purchase such products from such distributor or other supplier.

We may conduct market research and testing to determine consumer trends and the marketability of new food products and services. You agree to cooperate and assist us by participating in our customer surveys and market research programs, test marketing new food products and services in the Restaurant and providing us with timely reports and other relevant information regarding such customer surveys and market research.

E. PRICING.

We reserve the right, to the extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products, including required participation in the System-wide discount programs and promotions. If we do not establish such pricing requirements, then you will have the right to determine the prices you charge.

F. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You will secure and maintain in your name all required licenses, permits and certificates relating to the operation of the Restaurant. You will maintain and operate the Restaurant in strict compliance with all applicable, then-current civil and criminal laws, ordinances, rules, regulations and orders of public authorities, including, without limitation, those relating to health, safety and sanitation, employment and labor, workers' compensation

insurance, unemployment insurance and withholding and payment of federal, state and local income taxes, social security taxes, sales taxes and The Americans With Disabilities Act.

Your advertising must be completely factual, be in good taste in our judgment and conform to the highest standards of ethical advertising. In all dealings with us, your customers, suppliers and public officials, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business or advertising practice which may injure our business or the goodwill associated with the Marks and other Johnny Rockets restaurants.

You agree to notify us, by telephone within forty-eight (48) hours followed within five (5) days by written notification, including copies of any pleadings or process received of: (i) the commencement of any action, suit or proceeding relative to the Restaurant; (ii) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Restaurant; and (iii) any notice of violation of any law, ordinance or regulation relating to health or safety. You must not accept service of process for us and on our behalf.

G. COMPUTER HARDWARE AND SOFTWARE.

(1) Point of Sale System. You shall purchase, use and maintain the point of sale cash collection system, including all related hardware and software, ("POS System") as specified in the Operation Manual or otherwise by us in writing for use in connection with the Restaurant. The POS System must be connected to the Internet at all times via a high-speed (broadband) line, such as DSL or cable (or other communications medium specified by us) for the purpose of implementing software, transmitting and receiving data, accessing the Internet for ordering and maintaining the POS System. We may require you to upgrade the POS System hardware and/or software from time to time upon written notice. You shall accept gift cards, debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase authorized products via such procedure, as specified by us, and shall obtain all necessary hardware and/or software used in connection with these non-cash systems. The POS system must allow us to poll your sales on a daily basis and allow us to make electronic fund transfers of the Royalty Fee, Marketing Fund Fee, and any other fees due and payable by you. You must purchase a maintenance, repair, upgrade or updated service contract for your POS System.

(2) Computer System. In addition to the POS System, you have the sole and complete responsibility to purchase, use and maintain a personal computer system ("Computer System") as specified in the Operations Manual or otherwise by us in writing for use in connection with the Restaurant. We may designate certain computer software to be used in the operation of the Restaurant. We may require you to maintain an e-mail account and connect the Computer System to the Internet at all times via a high-speed (broadband) line, such as DSL or cable (or other communications medium specified by us). You shall obtain all software and hardware, including digital still and video cameras, as we may specify to enable you to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Restaurant site, and you shall, from time to time, upon our request transmit digital photos and real time video and audio signals of the Restaurant site to, and in the form and manner prescribed by, us. You shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as we may from time to time require. You shall permit us to access the Computer System and the files stored therein via any means specified, including electronic polling communications.

(3) Proprietary Software. If we designate certain computer software ("Proprietary Software") that is owned or licensed by us to be used in the operation of the POS System and/or Computer System, you shall, at our request, license or sublicense such software from us or our designee and enter into a software (sub) license agreement on our or such designee's then-current form. From time to time, you shall purchase any upgrades, enhancements or replacements to the Proprietary Software.

H. PRIVACY AND DATA SECURITY.

All of your POS System, Computer System, and any other card payment systems must be compliant with all applicable laws, codes, regulations, and commonly accepted industry standards, including without limitation

those laws, regulations, and commonly accepted industry standards relating to privacy, data security, and the processing and protection of confidential personal information, including, without limitation, all payment card industry ("PCI") standards, norms, requirements and protocols, including the PCI Data Security Standard (also known as the PCI Directive). You must comply with all applicable laws, codes, or regulations that relate to the privacy and data security of personal information, including without limitations laws relating to marketing or electronic communications, and with all standards, specifications, and requirements that we may impose relating to privacy and data security.

I. TRADE ACCOUNTS

You agree to maintain your trade accounts in a current status and to seek to resolve any disputes with trade suppliers within thirty (30) days. Should you not so maintain your trade accounts, we may, at our option and after prior reasonable notice, pay any and all such accounts on your behalf, and you agree to immediately repay us such amounts. Your failure to keep trade accounts current or to make the immediate repayment to us specified herein shall constitute a default under this Agreement.

J. PAYMENT OF TAXES

You shall be responsible for the payment of all taxes on your real and personal property, leasehold improvements, fixtures and equipment related to the Restaurant, and any and all sales, payroll, withholding and other taxes and Worker's Compensation and Unemployment Insurance payments, promptly when due and hold us harmless therefrom. All such taxes shall be paid directly to the taxing authorities prior to the delinquent date. If the amounts of such taxes become delinquent, we may, at our option and after prior reasonable notice, elect on your behalf to pay the same, together with penalties and interest, if any, and you agree to immediately repay us such amounts.

K. MANAGEMENT AND PERSONNEL OF THE RESTAURANT

You will at all times (i) employ a General Manager with significant restaurant management experience who will have principal operational responsibility for the Restaurant, and who will have satisfactorily completed our training program; and (ii) employ on a full-time basis two (2) Managers, each of whom has satisfactorily completed our training program (collectively, the General Manager and Managers are referred to as "Certified Restaurant Managers"). All Certified Restaurant Managers and other employees must have literacy and fluency in the English language sufficient to satisfactorily complete the training program, to communicate with employees, customers, and suppliers and to satisfactorily serve customers in the Restaurant. The Restaurant must be under the direct, on-premises supervision of a Certified Restaurant Manager.

You will be solely responsible for (i) hiring, training and supervising efficient, competent and courteous employees of good character for the operation of the Restaurant; (ii) the terms of their employment and compensation; and (iii) the proper training of your employees in the operation of the Restaurant. We may, from time to time based upon our experience, provide you guidance in human resource matters such as hiring and scheduling. This guidance is provided as a resource only, and you will be entirely free to not adopt our suggestions, in your sole discretion.

L. INSURANCE

You must procure, before the commencement of business, and maintain in full force and effect during the entire term of the License, at your sole expense, an insurance policy or policies issued by an insurer satisfactory to Johnny Rockets and licensed in the state where coverage is provided, and with a minimum A.M. Best Insurance Rating of A-VII or other comparable rating. You must also comply with all insurance requirements related to the Restaurant's lease or mortgage. You must maintain in force at all times, under these policies of insurance, minimum coverages as set forth below:

- (1) Workers' compensation insurance including Occupational Disease meeting the statutory requirements of the state in which the work is to be performed and Employer's Liability insurance with policy limits of five hundred thousand dollars (\$500,000) per accident; five hundred thousand dollars (\$500,000) disease aggregate; five hundred thousand dollars (\$500,000) disease per employee;

(2) Commercial general liability insurance written on ISO occurrence form CG 00 01 04 13 (or a substitute form providing equivalent coverage) against claims for bodily injury, property damage, and personal and advertising injury caused by or occurring in conjunction with the operation of the Restaurant (or otherwise in conjunction with your conduct of business pursuant to this License) under one or more primary policies of insurance, each on an occurrence basis, with limits not less than two million dollars (\$2,000,000) per project/general aggregate; one million dollars (\$1,000,000) products/completed operations aggregate; one million dollars (\$1,000,000) personal injury and advertising injury; one million dollars (\$1,000,000) per occurrence. Johnny Rockets Licensing, LLC, The Johnny Rockets Group, Inc. and any other party or parties designated by us shall be included as an insured under the CGL, using ISO additional insured endorsement CG 20 26 or a substitute providing equivalent coverage, and under the excess liability coverage. These policies must provide primary coverage with respect to any other insurance or self-insurance afforded to Johnny Rockets;

(3) Motor vehicle/automobile liability insurance for hired, owned and non-owned vehicles, against claims for bodily injury, including death and property damage caused by or occurring in conjunction with the operation of the Restaurant (or otherwise in conjunction with your conduct of business pursuant to this License) with combined single limit coverage (personal injury, bodily injury, death and property damage) of at least one million dollars (\$1,000,000) for each accident;

(4) Umbrella or Excess Liability Insurance providing excess coverage for Employer's Liability, Commercial General Liability, and Auto Liability, with the same features as items 1, 2 and 3 above (follow-form) with limits of not less than five million dollars (\$5,000,000) per location;

(5) All-risk building and contents insurance including wind, flood and earthquake, vandalism and theft insurance for the replacement value of the Restaurant and its contents;

(6) Business interruption insurance for a period adequate to reestablish normal business operations, with coverage to include royalties due to franchisors and off-premises power; and

(7) Builders' risk insurance on a completed value non-reporting basis during the period of construction and/or any remodeling of the Restaurant.

We may periodically increase the amounts of insurance you will be required to maintain, and we may require different or additional kinds of insurance at any time. Each insurance policy (i) must name as additional insured parties "The Johnny Rockets Group, Inc." and "Johnny Rockets Licensing, LLC" and any other party or parties designated by us, as their interest may appear; (ii) must contain waiver of subrogation against additional insured parties; (iii) must provide for thirty (30) days' prior written notice to us of any material modification, cancellation, termination or expiration of such policy by either the insurer or the franchisee; and (iv) must not be limited in any way by reason of any insurance which may be maintained by Johnny Rockets or any other named party and must be primary and noncontributory.

Prior to the expiration of the term of each insurance policy, you will furnish us with a certificate of insurance or with a certified copy of each renewal or replacement insurance policy you will maintain for the immediately following term and evidence of the payment of the premium for the insurance policy. If you fail or refuse to maintain required insurance coverage, or to furnish satisfactory evidence of required insurance coverage and payment of the premiums, we can obtain the required insurance coverage on your behalf. You must cooperate fully with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of the Restaurant which are required to obtain or maintain such insurance and pay to us, on demand, any costs and premiums we incur.

Your obligations to maintain insurance coverage as described above will not be affected in any manner by reason of any separate insurance we maintain, nor will the maintenance of insurance relieve you of any obligations under Section 4 of this Agreement.

M. COBRANDING.

We may determine from time to time to incorporate in the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service

marks other than the Marks and which your Restaurant, along with other Johnny Rockets restaurants, may be required to offer and sell. This activity, referred to as "cobranding", may involve changes to the Marks and may require you to make modifications to the Premises and the furniture, fixtures, equipment, signs and trade dress of the Restaurant. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that program at the Restaurant at the earliest commercially reasonable time and to execute any instruments required to do so.

9. REFURBISHMENT AND REMODELING.

To ensure continued public acceptance and patronage of the System, to avoid deterioration or obsolescence of the Restaurant and to take advantage of changes and improvements in design, concept and décor, you must timely complete the following refurbishments and remodeling of the Restaurant. These requirements are in addition to your continuing obligations to maintain, repair and replace all equipment, signage, furnishing, decor and personal property related to the Restaurant in accordance with our Standards. Your obligations to maintain, repair and replace will not be delayed or deferred pending or in anticipation of any refurbishment or remodeling.

A. REFURBISHMENT.

You must refurbish the Restaurant in accordance with our then-current refurbishment standards, at your expense, within five (5) years from the beginning of your License, or as otherwise set forth in Item "F" of the Contract Data Schedule.

B. REMODELING.

If you elect to renew this Agreement, then you must remodel the Restaurant in accordance with our then-current remodeling standards, including but not limited to fixtures, furnishings, signs and equipment, as a condition of renewing.

10. MARKETING.

A. BY JOHNNY ROCKETS.

Because of the value of advertising and marketing to the goodwill and public image of Johnny Rockets restaurants, we will maintain and administer a marketing fund (the "Marketing Fund") for advertising, marketing, promotion and other purposes and programs that we deem necessary or appropriate. We will direct all advertising, marketing and promotional programs for the System, and will have sole discretion over the creative concepts, materials and endorsements used in the programs, and the geographic, market, and media placement and allocation of the programs, with sole discretion over the allocation of funds to various programs and accounts.

You understand and acknowledge that the Marketing Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of Johnny Rockets restaurants for the benefit of all Johnny Rockets restaurants. You agree that all funds contributed to the Marketing Fund may be used by us to meet any and all costs (including reasonable salaries and overhead incurred by us) for maintaining, administering, directing, preparing, purchasing and placing national, regional or local advertising, marketing or promotional materials, programs and public relations activities, including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, social media, internet, mobile, digital, newspaper, and other forms of advertising, direct response literature, direct mailings, brochures, and collateral advertising material; implementing websites or social media sites for us and/or our franchisees; market research and surveys of advertising effectiveness; merchandising; menu development; trademark development; designing, preparing, printing and distributing menus, gift cards and point of purchase promotional material for the use of the System; and implementing such other advertising, marketing and promotional activities designed to increase sales and enhance the public reputation of Johnny Rockets and the System, as we deem appropriate.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as

we may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs including, without limitation, conducting market research and menu development, preparing advertising and marketing materials, and collecting and accounting for contributions to the Marketing Fund. We may spend in any fiscal year an amount that is greater or less than the aggregate contribution of all Johnny Rockets restaurants to the Marketing Fund in that year. We may loan money to the Marketing Fund, or we may borrow money from other lenders, to cover deficits of the Marketing Fund and we may charge the Marketing Fund the interest on such loans. We may cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. You authorize us to collect for the Marketing Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases. All interest earned on monies contributed to the Marketing Fund will be added to and supplement the Fund. We will prepare an annual statement of monies collected and costs incurred by the Marketing Fund within one hundred twenty (120) days after the end of our fiscal year and will furnish this statement to you upon your written request. At our sole discretion, we can cause the Marketing Fund to be incorporated or operated through a separate entity when we deem appropriate, and if we do so, that entity will have all of our rights and duties pursuant to this section of the Agreement.

Each Johnny Rockets restaurant operated by us or our affiliates will contribute to the Marketing Fund on at least the same basis as the majority of franchised Johnny Rockets restaurants. Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all Johnny Rockets restaurants, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by Johnny Rockets restaurants operating in that geographic area or that any Johnny Rockets restaurant will benefit directly or in proportion to its contributions to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Section 10, we assume no direct or indirect liability or obligation to you with respect to our maintenance, direction or administration of the Marketing Fund. We do not owe any fiduciary obligation to you for administering the Marketing Fund or for any other reason.

B. BY FRANCHISEE.

You must participate in all advertising, marketing and promotional programs of the Marketing Fund, including programs from time to time funded by Additional Advertising Contributions, as described in subparagraph 7.C above. In addition:

(1) Grand Opening Promotion. In connection with, but no later than one (1) year after, the initial opening of the Restaurant, you must plan, coordinate and execute a "grand opening" promotional campaign at your sole cost and expense of no less than \$10,000. You must obtain our prior approval of the campaign.

(2) Local Store Marketing. In addition to all of your payments to the Marketing Fund described in paragraph 7.C, you also agree to spend annually for local advertising for the Restaurant, an amount equal to two percent (2.0%) of the Net Sales of the Restaurant. Without limitation, local advertising expenses for the Restaurant include advertising specifically for the Restaurant, such as a telephone directory advertisement, directional billboard or direct-mail inserts for the Restaurant and include local promotional campaigns, such as local charity and youth group sponsorships. The cost of menus and the value of coupon discounts are not included in local advertising expenses. Prior to using any advertising or promotional material that you prepare for use in your local area, you must submit a specimen to us for our review and approval. If you do not receive our written disapproval of the specimen within fifteen (15) days from the date we received it, materials that conform to the specimen will be deemed approved for your use, unless we later disapprove it, in which case you must promptly discontinue further use. If an audit of your Restaurant Records determines that you failed to spend at least 2% of Net Sales for local store marketing during any of the audited Fiscal Years, we will have the right to increase your Marketing Fund Fee, beginning the month following the audit, by up to 2% of Net Sales for a period of time equivalent to the number of years in which the audit reveals you failed to spend 2% of Net Sales for local store marketing. In that event, you still will be required to spend at least 2% of Net Sales for local store marketing annually in addition to any payments owed as a result of the audit.

C. BY COOPERATIVE.

Johnny Rockets may elect, in its sole discretion, to form a cooperative marketing fund organized on a regional basis. In such event, you and substantially all other franchisees in your region must contribute to the cooperative marketing fund up to (2.75%) of the Net Sales of each restaurant located within the region of the cooperative marketing fund. Such contribution will offset on a dollar-for-dollar basis the Marketing Fund Fee referenced in paragraph 7.C. above.

Each company-operated restaurant within the region of the cooperative marketing fund will also contribute the same percentage of Net Sales to the cooperative fund, per restaurant within the region, as franchisees. Each franchised and company operated restaurant contributing to the cooperative will have one vote per restaurant in determining how the cooperative will apply the funds of such cooperative.

D. THE INTERNET AND SOCIAL MEDIA.

You will not, without our prior written approval, use any of our Marks on the Internet or in any similar electronic or other communications medium, including without limitation websites and social media sites, to promote your business, to advertise and sell Johnny Rockets products and services, or to connect with consumers on social media websites. We have the sole right to establish a Johnny Rockets Internet website, Facebook page or other social media site using any of our Marks, and to regulate the establishment and use of linked home pages by franchisees. Before you establish a website or social media site in connection with your operation of the Restaurant, you must submit to us a complete sample of the content of the proposed site for our review and approval in our sole discretion. Any such franchisee website or social media site must comply with our Standards as prescribed by us from time to time and must be kept current in all material respects. You must submit to us a sample of all alterations and updates to your website and social media sites and obtain our approval before they are implemented.

11. RECORDS, REPORTS, FINANCIAL STATEMENTS AND CONDITION.

A. RECORDS.

You must keep full, complete and accurate books and accounts with respect to the Restaurant, in accordance with generally accepted accounting principles and all requirements of law. Unless we otherwise agree in writing, you must adopt our financial and operational reporting chart of accounts format, as set forth in the Operations Manual or otherwise furnished to you. You must preserve, in the English language and for the time periods set forth below, all books of account, governmental reports, register tapes, guest checks, daily reports and complete copies of all federal and state income tax returns, property and sales and use tax returns and supporting documents relating to your business operations at the Restaurant (hereinafter called the "Records"), including but not limited to, daily cash reports; cash receipts journal and general ledger; cash disbursements journal and weekly payroll register; monthly bank statements, and daily deposit slips and canceled checks; all business tax returns; suppliers invoices (paid and unpaid); dated cash register tapes (detailed and summary); monthly profit and loss statements; weekly guest counts; records of promotion & coupon redemptions; records described in subparagraph 8.B.(9) above; and such other records and information as we may from time to time request. You may preserve Records and submit reports electronically in accordance with our prescribed Standards and requirements.

During the term of this Agreement, you must preserve and make available to us, upon our request, all Records for no less than your current fiscal year and your five (5) immediate-past fiscal years. For three (3) years after the expiration or termination of this Agreement or the date of any transfer of the controlling interest in this Agreement, you or the transferor must preserve and make available to us, upon our request, all Records of the last three (3) fiscal years of your or the transferor's operation under this Agreement.

B. REPORTS AND FINANCIAL STATEMENTS.

You will furnish us the following reports to us, in the form we prescribe:

- (1) By the tenth (10th) day of each calendar month for the preceding Fiscal Month, a report of the Net Sales of the Restaurant, other revenues generated at the Restaurant and other information we

request. This report must also include a statement computing amounts then due for Royalty Fees and Marketing Fund Fees and be certified by you or by your chief executive or financial officer;

(2) By the twentieth (20th) day of each calendar month for the preceding Fiscal Month, a profit and loss statement for the Restaurant certified by you or by your chief executive or financial officer;

(3) On Monday of each week, on our standard form, a signed weekly statement of the Restaurant's Net Sales and guest counts for the seven (7) day period (Monday through Sunday) ending at the close of business on the preceding day, transmitted to us over the Internet (provided, however, for each week for which we are able to successfully obtain your weekly Net Sales directly from your system by electronic means, we will waive your requirement to provide us a weekly sales statement);

(4) Upon our request, such other data, information and supporting records for such periods as we reasonably require; and

(5) Within one hundred twenty (120) days after the end of your fiscal year, a fiscal year-end (i) balance sheet, (ii) income statement and (iii) statement of changes in financial position (cash flow) of the Restaurant for such fiscal year, reflecting all year-end adjustments. We may require that such reports be compiled and reviewed or certified by an independent certified public accountant in compliance with standards established by the American Institute of Certified Public Accountants. Such statements must clearly set forth distributions to owners for or during such fiscal year and your total indebtedness at year end. You will also provide (iv) a statement of annual Net Sales certifying that your Net Sales for the immediately preceding fiscal year have been calculated and reported in compliance with the terms of this Agreement, each of which will be certified by you or your chief executive or financial officer.

(6) During the 4th quarter of each year, but no later than each November 15th, a business plan describing your plans and goals for the next succeeding calendar year (the annual operating plan or "AOP"). The AOP will contain such information as we shall from time to time reasonably designate. The parties acknowledge and agree that the purpose of the AOP is to provide us an opportunity to better understand your business and to offer guidance and assistance, as we determine in our sole discretion, and not to exercise any right to control your business.

C. FINANCIAL CONDITION; RESTRICTIONS ON DEBT.

(1) You and each guarantor of your performance represents and warrants that neither you nor any such guarantor failed to disclose any borrowed funds or otherwise incurred debt to obtain funding for the purchase or development of the Restaurant, as the case may be, except as specifically disclosed in your application(s) to become our franchisee.

(2) In connection with the operation of the Restaurant, including the payment of fees, costs and expenses to be incurred pursuant to this Agreement, you and your guarantors jointly and severally covenant and agree as follows:

(a) You and each guarantor shall not, without our prior written consent, which shall not be unreasonably withheld, directly or indirectly borrow any money or incur any debt or liability, other than lease obligations for the Restaurant and trade payables in the ordinary course of business, except that you may incur debt in connection with the development of new Johnny Rockets restaurants, provided that in connection with the development of each such restaurant, you will receive equity contributions from personal guarantors equal to not less than 25% of the total development cost of the Restaurant (which for this purpose shall consist of the cost of all leasehold improvements, furniture, fixtures and equipment). Any new debt shall have an initial amortization schedule of no more than ten (10) years from inception. In no event may you make a public offering of securities or any ownership interest in your franchisee entity.

(b) Any debt instrument must provide to us the following protections and any others that we from time to time require: (a) we must be provided notice of any default of any such debt instrument simultaneous with notice being provided to the borrower(s); (b) we must have a right

of first refusal to purchase any restaurant to be sold, disposed of, or otherwise transferred by the lender of such debt instrument; (c) we must have the right, but not the obligation, to cure any default under such debt instruments; and (d) we must have the right to operate any restaurants that are the subject of the debt instrument upon your default of such instrument. In the event you default on your debt and we elect to pursue any of the foregoing protections available to us, your right to cure such default shall expire as of the date we pursue any such protections notwithstanding any longer cure period set forth elsewhere in any agreement between you and us. Additionally you shall be liable for the full amount we pay to cure your default plus interest, and all costs we incur, including legal fees and appraisal fees relating to the evaluation of and exercise of any such protections.

(c) You shall not extend, renew, refinance, modify or amend any debt or liability permitted by this paragraph 11.C. without prior written notice to us.

(3) If you are in default of paragraph 11.C.(2) above, or if we otherwise reasonably determine that you have become or will become unable to meet your payment obligations to us, or our affiliates or suppliers under this Agreement, we may provide you a written notice of that determination and demand that you provide assurances reasonably designated by us, which may include security or letters of credit for the payment of your obligations to us and our affiliates. If you fail to provide the assurances we demand within 30 days after your receipt of our written notice, this Agreement shall automatically terminate without further notice to you effective immediately.

(4) If at any time you are delinquent in the payment of any amount owed to us or our affiliates or suppliers, you agree: (a) upon our request, to furnish us income statements and balance sheets for such periods and as of such dates and all in such detail as we may request, for you and each entity affiliated with you, whether or not such entity conducts any business with the Restaurant, (b) that we may directly contact any lender, lessor, supplier or vendor for the purpose of obtaining information relating to the Restaurant and any lease or financial arrangements and you hereby authorize such persons to disclose all such information to us and, if you are an entity, you agree that we may contact any of your officers, directors, shareholders or partners for any purpose reasonably related to your undertakings contained in this Agreement and (c) to furnish, at our request, books of account, governmental reports, register tapes, guest checks, daily reports and complete copies of federal and state income tax returns, property and sales and use tax returns.

12. INSPECTIONS AND AUDITS.

A. JOHNNY ROCKETS RIGHT TO INSPECT THE RESTAURANT.

To preserve the goodwill of the Marks and the System and to determine whether you are complying with this Agreement and with our Standards, we or our agents or designees can, at any reasonable time, with or without prior notice:

- (1) inspect the Restaurant and the Premises;
- (2) observe, photograph and make audio and/or video recordings of the operations of the Restaurant (whether or not you are present);
- (3) remove samples of any food and beverage product, material or other products for testing and analysis;
- (4) interview personnel of the Restaurant;
- (5) interview customers of the Restaurant; and
- (6) inspect and copy any books, records and documents relating to the operation of the Restaurant.

You consent to our making audio and/or video recordings of the operations of the Restaurant, to the extent allowed by applicable law. You agree to cooperate fully with us in connection with any such inspection, observation, recording, product removal and interviews, including presenting to your customers any evaluation forms that we periodically prescribe and participating and/or requesting your customers to participate in any surveys performed by us or on our behalf.

B. RIGHTS AND OBLIGATIONS UPON INSPECTION.

(1) We shall notify you in writing of any defects, deficiencies or unsatisfactory conditions discovered at the Restaurant in an inspection, and you agree to immediately commence to correct or repair any such deficiencies or conditions upon being advised of same and thereafter diligently pursue such correction or repair to completion at your expense.

(2) We will also have the right to require you to remove or destroy any product or item in the Restaurant that fails to conform to System Standards, or that we believe to be hazardous, contaminated or to otherwise pose an imminent risk to public health or safety. If we find the Premises to have a hazardous, unsafe, unhealthy or unsanitary condition and/or there is reason to believe that any product or products in the Restaurant are contaminated, and/or for any other reason of imminent risk to public health and safety, we will have the right to require you to immediately close and suspend operation of the Restaurant and/or to require such other actions as we, in our sole discretion, deem advisable. You must notify us immediately of any suspected product contamination or other violation affecting public health or safety and to promptly take any action we require in response thereto.

(3) If you fail to comply with the foregoing obligation to correct or repair any condition or hazardous, unsafe, or unsanitary condition at the Restaurant or Premises within the time specified by us, then we, in addition to all other available rights and remedies, including the right to terminate this Agreement pursuant to Section 17 of this Agreement, shall have the right, but not the obligation, to forthwith make or cause to be made such correction or repair, and the expenses thereof, including meals, lodging, wages and transportation for our personnel, contractors, or designees, if so utilized, shall be promptly reimbursed by you to us.

(4) Should any deficiency or unsatisfactory condition be reported more than once within any thirty (30) day period or three (3) times in any twelve (12) month period, we shall have the right, but not the obligation, in addition to all other available rights and remedies, to place a representative in charge of all operations of the Restaurant for a period of up to thirty (30) days in each such instance, and the wages and expenses of meals, lodging and transportation for said representative, which shall be commensurate with that provided for managers of other Johnny Rockets restaurants, shall promptly be reimbursed by you upon request by us.

C. JOHNNY ROCKETS RIGHT TO AUDIT.

You shall maintain and preserve accurate books, records and tax returns, including related material, such as cash register tapes and invoices, for the Restaurant for at least five (5) years from the date such record is prepared. Such books, records, tax returns and supporting material shall be made available by you for inspection, examination or audit by us at all reasonable times and at such locations as may be designated by us from time to time. Such examination or audit shall be at our expense unless it is disclosed that the total of monthly Net Sales submitted by you for the period being inspected by us is understated to the extent of one percent (1%) or more, in which case all costs and expenses related to such audit shall be borne by you. You shall immediately pay us on demand any deficiency in weekly Royalty Fee or Marketing Fund Fee payments disclosed by such audit, together with: (1) interest at the lower of the maximum rate permitted by law or fifteen percent (15%) per annum, from the date such payments were originally due for payment to us, and (2) a late fee, for additional administrative fees incurred by us, equal to the greater of ten percent (10%) of the amount of fees so understated or two hundred fifty dollars (\$250.00).

13. TRANSFER OF LICENSE.

A. BY JOHNNY ROCKETS.

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests in this Agreement. You agree to execute any forms that we may reasonably request to effectuate any such transfer or assignment by us.

B. BY FRANCHISEE.

You may not transfer the License without our approval. The rights and duties created by this Agreement are personal to you. We have granted the License to you in reliance upon the individual and collective character, skill, aptitude, attitude, and business ability of the persons who will be engaged in the ownership and management of the Restaurant, your financial capacity and the representations and warranties made to us in your application, and the representations, warranties and covenants contained in this Agreement. Accordingly, neither this Agreement nor the License (or any interest therein), nor any part or all of the ownership of Franchisee (if an entity) or the Restaurant (or any interest therein), may be transferred, in whole or in part, directly or indirectly, without our prior written approval, and any attempted transfer without our prior written approval will constitute a breach of this Agreement and convey no rights to or interests in this Agreement or the License. As used in this Agreement the term "transfer" means and includes the voluntary, involuntary, direct or indirect assignment, sale, gift, pledge, grant of security interest or other transfer by you of any interest in: (i) this Agreement or any related agreement between you and us; (ii) the License; (iii) the Franchisee; (iv) the Restaurant or (v) the Premises. Provided that all conditions set forth in this Section 13 are satisfied, we will not unreasonably withhold our approval of any transfer by you.

This paragraph 13.B. does not apply to an interest in the Restaurant or the Premises conditionally transferred to a bona fide lender as collateral security for a loan to you or to any financing or refinancing structured as a sale-leaseback, provided that upon the sale of the Restaurant, it is simultaneously leased back pursuant to a Lease Agreement which is subject to our rights under this Agreement. At no time, however, may a security interest be given in this Agreement or the License granted hereunder, without our written consent.

C. OUR RIGHT OF FIRST REFUSAL.

If, at any time during the term of this Agreement and for a period of one year thereafter, you or any of your shareholders, members or partners has received and desires to accept a signed, bona fide written offer from a third party to purchase any interest in this Agreement, the License, the Restaurant, the Premises, or a controlling interest in the Franchisee-entity, you must submit to us an exact copy of the executed, written offer from a responsible and fully disclosed purchaser along with any other information that we may reasonably request. We may, upon written notice to you within forty-five (45) days after the date of delivery of an exact copy of such offer and all requested information to us, elect to purchase such interest for the same price and on the same terms and conditions as are contained in such offer, as modified pursuant to the provisions of this section. Regardless of the terms of the offer, we may, in our discretion, structure the transaction as an asset purchase, rather than a stock purchase, and to substitute cash for securities or other property as consideration. If less than the entire interest in the Franchisee, this Agreement, the License, the Restaurant or the Premises is proposed to be sold, and if we, in our sole discretion, exercise our election hereunder, we will purchase the entire interest for a price equal to the proposed price plus a prorata increase based on the value of the interest to be purchased. Our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than ninety (90) days to prepare for closing. We will be entitled to all representations and warranties customarily given by the seller of assets of a business. We will not be obligated to pay any finder's or broker's fee or commission. Our exercise of our rights hereunder will not modify the transfer requirements of this Section 13 nor relieve you of your obligation to pay us the then-current transfer fee, which is currently \$10,000.

If we do not exercise our right of first refusal, the sale or other transfer may be completed pursuant to and on the terms of such offer, subject to our approval of the transfer as otherwise provided in this Agreement; provided, however, that if the proposed sale or other transfer is not completed within one hundred twenty (120) days after delivery of such offer to us, or if there is any change in the terms of the proposed transaction, we will have an additional right of first refusal for an additional thirty (30) days.

Our right of first refusal will not apply to the sale or transfer of an interest in this Agreement, the License, Franchisee, the Premises or the Restaurant to a member of the Seller's immediate family or, if Franchisee is an entity, between or among previously approved owners of Franchisee, provided that such transfer is otherwise permissible under this Agreement.

D. CONDITIONS FOR OUR APPROVAL OF YOUR TRANSFER.

The proposed transferee and its owners (if the proposed transferee is an entity) must meet our then-current criteria for Johnny Rockets restaurant franchisees. We shall not unreasonably withhold our consent to any transfer, provided, however, that prior to the time of such transfer, we may require that the conditions specified below are met:

- (1) You must have operated the Restaurant for a period of not less than one (1) year prior to the proposed transfer;
- (2) You must pay and satisfy (i) all accrued money obligations to us, including but not limited to Royalty Fees, Marketing Fund Fees, (ii) all amounts owed to our parent, subsidiaries and affiliates, and (iii) your obligations to any third party, if any;
- (3) You must cure to our satisfaction any defaults under this Agreement or any other agreement between you, your affiliates, and us;
- (4) The Restaurant, including equipment, signs, building, improvements, interior and exterior, must be in good operating condition and repair, and if the transfer occurs before you have refurbished or remodeled the Restaurant pursuant to Section 9 of this Agreement, then prior to the transfer, you must ensure that the Restaurant is in compliance with our then-current Standards;
- (5) The transferee and each partner, shareholder or member of the transferee must be a United States citizen or lawful resident alien, of good moral character and reputation, must be creditworthy and must have sufficient business experience, aptitude and financial resources to operate the Restaurant. Such qualifications include, without limitation, literacy and fluency in the English language sufficient, in our opinion, to communicate with employees, customers, and suppliers and to satisfactorily complete our training program, and such other tests and interviews as we reasonably require;
- (6) The transferee and its management personnel must have completed our training program to our satisfaction;
- (7) The transferee, including, where appropriate, all shareholders, members and partners of the transferee, must jointly and severally execute, on our then-current forms, a franchise agreement, guarantees, and all other standard ancillary agreements, including, but not limited to, an agreement, if applicable, that in the event the transferee will at any time be unable to make payments both to Johnny Rockets and to you for the purchase of the Restaurant, payments to Johnny Rockets, its affiliates and/or subsidiaries (including the Marketing Fund) will have priority;
- (8) You and/or the transferee must pay us our then-current transfer fee as set forth in our then-current Franchise Disclosure Document;
- (9) You, and your partners, members, shareholders, officers and directors and any other owners must execute a general release in a form satisfactory to us, of any and all claims against us, our subsidiaries and affiliates, and our and their officers, directors, partners, employees and agents;
- (10) We must approve the material terms and conditions of such transfer, including, without limitation, our determination that the price and terms of payment are not so burdensome as to adversely affect the subsequent operation or financial results of the Restaurant. This requirement creates no liability on our part to either you or your transferee, if we approve the transfer and the transferee later experiences financial difficulties;
- (11) The transferee may not be a limited partnership, trust or other entity we do not specifically authorize and approve;

(12) You and your transferring owners must execute a non-competition covenant in favor of us and the transferee, containing the terms set forth in paragraph 15.A.;

(13) The lessor and lender, if any, of the Premises must give you any required advance written consent to the transfer of the Lease or Premises, and you must provide us with a copy of such consent;

(14) You and your owners must guarantee the transferee's financial obligations to us in its commitment agreement and license agreement for the longer of two (2) years from the date of transfer or until any seller note is paid in full; and

(15) You provide us with a deposit of \$5,000 to be used to pay for any financial obligations which accrued during your operation of the Restaurant, for which we will refund any unused balance six (6) months after the transfer date.

In addition, we reserve the right to promulgate, communicate and enforce such additional reasonable requirements as we may hereafter, in good faith, establish.

Neither you nor any lending institution may assert any security interest, lien, claim or right now or hereafter in the License or franchise agreement granted to the transferee, or, if applicable, our lease of the Restaurant. Any security interest, lien, claim or right asserted with respect to any personal property at the above location will not include "after-acquired" property unless the same is subordinated to any subsequent lien for purchase-money financing of said after-acquired property.

E. YOUR TRANSFER TO A WHOLLY-OWNED ENTITY.

If you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a transfer to an entity which conducts no business other than the Restaurant (or other Johnny Rockets restaurants), which is actually managed by you, in which you maintain management control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding securities, provided that you guarantee, in accordance with our then current form, the performance of such transferee's obligations under this Agreement. Transfers of interests in such entity will be subject to the other provisions of this Section 13 and of Section 22.

F. YOUR DEATH, DISABILITY OR INCAPACITY.

If you or any of your Principals as defined in Section 6.A, die, become permanently disabled or lack mental capacity, the legal representative of the deceased, disabled or incapacitated party, as the case may be, together with all surviving partners, members or shareholders, if any, must, within six (6) months of such death, disability or mental incapacity, jointly apply in writing to transfer this Agreement or the interest of the affected party in this Agreement, to such person or persons as the legal representative may specify and who meets our then-current qualifications for franchisees and whom we approve.

If the legal representative and all surviving Principals, if any, do not propose a transferee acceptable to us under the standards set forth in this Agreement within the period set forth above, or if no transfer of the interest will have been accomplished consistent with the provisions of this Section 13 within one (1) year from the date of death, disability or mental incapacity, this Agreement will terminate forthwith and all rights licensed hereunder will automatically revert to us. We will have the right and option, exercisable upon such termination, to purchase all furniture, fixtures, signs, equipment and other chattels at a price to be agreed upon by the parties or, if no agreement as to price is reached by the parties, at such price as may be determined by a qualified, independent appraiser approved by both parties, such approval not to be unreasonably withheld. We will give you notice of our intention to exercise this option no later than twenty-one (21) days prior to termination. If you do not object to proposed appraiser within twenty (20) days after our notice, such appraiser will be deemed approved by both parties.

If the deceased, disabled or incapacitated party is also the General Manager of the Restaurant, then during the interim period until a transfer of the interest under this paragraph 13.F has taken place, the legal representative and surviving Principals will operate the Restaurant through a successor General Manager who we have approved.

If you fail to appoint a successor General Manager approved by us within ninety (90) days after the date of death, disability or mental incapacity of the General Manager we may terminate this Agreement after sending you a thirty (30) day written notice to cure.

G. EFFECT OF OUR CONSENT TO YOUR TRANSFER.

Our consent to a transfer of this Agreement, the License, the Restaurant and/or an interest in the Franchisee-entity will not constitute a waiver of any claims we may have against you (or your owners if you are an entity), nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

14. CONDEMNATION AND CASUALTY.

You must give us immediate notice in writing of any fire or casualty at the Restaurant, or of any proposed taking by eminent domain of the Restaurant or any means of access thereto or any portion of the Premises. If we determine that (i) it is impossible or economically unreasonable to rebuild the Restaurant on the Premises or (ii) the taking will have a material, sustained adverse impact on the operation of the Restaurant on the Premises (or whatever remains thereof), we will permit you to transfer the License to a nearby location that you select within six (6) months of the casualty or taking, as the case may be. If we approve the new location, and provided you are not in default of this Agreement, you must open a new restaurant at such approved location in accordance with our specifications within one (1) year of the closing of this Restaurant. The new restaurant will be deemed to be the Restaurant under this Agreement, for the balance of the term hereof.

Except for permanent closing authorized as stated above, if the Restaurant is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires closing the Restaurant, you will diligently repair or rebuild the Restaurant in accordance with our Standards, commencing reconstruction no later than four (4) months after the fire or casualty, and completing reconstruction to reopen the Restaurant for continuous business operations in no event later than twelve (12) months after the fire or casualty. You will give us ample advance written notice of the date of reopening. If the Restaurant is not reopened in accordance with this Section 14, the License and this Agreement will terminate as prescribed in Section 17.

Nothing in this Section 14 will extend the term of this Agreement, but you will not be required to pay us any Royalty Fees or Marketing Fund Fees for periods during which the Restaurant is closed by reason of condemnation or casualty.

15. RESTRICTIVE COVENANTS.

A. YOUR COVENANTS NOT TO COMPETE.

You acknowledge and agree that we have invested a substantial amount of time and money in developing the System, the Marks, and the Confidential Information; that we, you, and our other franchisees have a legitimate business interest in protecting our System and our Confidential Information, including our trade secrets, against unauthorized use or disclosure; and that we would be unable to encourage a free exchange of ideas and information among us and our franchisees and developers, if franchisees and developers were permitted to hold interests in or perform services for competing businesses. Accordingly, you and your Principals acknowledge and agree that the following restrictions are reasonably required to protect these legitimate business interests, including by protecting our Confidential Information and other elements of the System from unauthorized appropriation.

Therefore, except for the operation of additional Johnny Rockets restaurants under licenses we grant you, you and your Principals agree that (i) during the term of this Agreement, including any extension or renewal hereof, and (ii) for a period of two (2) years after expiration, termination, or approved transfer of this Agreement, regardless of the cause of any termination (hereinafter called the "Post-Term Period"), neither you nor any of your Principals will own, maintain or otherwise have any direct or indirect or beneficial interest in, or perform services as an officer, director, manager, employee or consultant or otherwise for, any business which owns, operates, licenses, franchises or develops one or more restaurants or food service establishments for which combined sales

of hamburgers, fries, chili, shakes and malts make up more than ten percent (10%) of total sales for such business (which shall include, but not be limited to, mid-scale priced family style restaurants such as Denny's, Culver's, Freddy's Frozen Custard, Steak 'n Shake, Boy Evans, Cracker Barrel, IHOP, Village Inn, Waffle House, Applebee's, Chili's, and Red Robin).

With respect to the Post Term Period, this restriction will apply only to any such competing restaurants and food service establishments located within a radius of fifteen (15) miles of the Restaurant or any other Johnny Rockets restaurant operated by us or any other of our franchisees at the time of termination or expiration of the Agreement.

For purposes hereof, an indirect interest will be presumed to exist if such interest is that of the spouse or of a parent or child of a Principal, in addition to other forms of indirect or beneficial interests. Such restrictions will not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding.

B. YOUR ADDITIONAL RESTRICTIONS.

For and during the term of this Agreement and for the Post Term Period defined above, neither you nor any of your Principals will do any of the following:

- (1) divert or attempt to divert any business or customer of the Restaurant to any competitor, by direct or indirect inducement or otherwise; or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with our Marks and System; and/or
- (2) violate the restrictions relating to Confidential Information contained in paragraph 6.B. of this Agreement.

C. OUR RESTRICTIVE COVENANT.

For and during the term of this Agreement, we will not open and operate or permit another party, including our parent and affiliates, to open and operate a new Johnny Rockets Restaurant in your Protected Area.

D. SCOPE AND APPLICABILITY.

The covenants contained in this Section 15 will be construed as severable and independent and will be interpreted and applied consistently with the requirements of reasonableness and equity. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court having valid jurisdiction, then the parties agree that the covenant shall be modified by the court to the extent that it deems necessary to make such covenant enforceable to the greatest extent possible under applicable law. In addition, we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in paragraphs 15.A. or 15.B. above, or any portion or portions thereof, without your consent, and you agree you will comply with any covenant as modified.

16. DEFAULT AND TERMINATION

A. DEFAULT BY JOHNNY ROCKETS.

We will have the right to cure any of our defaults under this Agreement for sixty (60) days after you provide us with written notice of such default; provided, however that if such default cannot reasonably be cured within sixty (60) days, and provided that we commence to cure within sixty (60) days after your written notice is delivered and continue to diligently prosecute such cure to completion, we will not be deemed to be in breach hereunder. You will not be permitted to terminate the Agreement due to any material breach or material default of our obligations without providing us with written notice and opportunity to cure the default as provided in this Section 16.A.

B. IMMEDIATE TERMINATION BY JOHNNY ROCKETS.

We may immediately terminate this Agreement, upon delivery of written notice to the Franchisee, **without an opportunity to cure** the default, if Franchisee, or as applicable, any of its Principals:

- (1) has made any material misrepresentations to Franchisor before or after the granting of the franchise;
- (2) fails to meet the deadlines specified on Exhibit D herein for controlling the Premises, starting construction, and opening for business, unless the Franchisor extends any of these time periods in writing to address unforeseen delays not within the control of the Franchisee;
- (3) ceases to do business, discontinues operating as a Johnny Rockets® restaurant, or remains closed, for more than one day without the Franchisor's prior written consent, or loses the right to possess or occupy the Premises, or a substantial part of the Premises, or the Franchisee abandons, surrenders, or transfers control of the Restaurant, the Premises, or this Agreement without the Franchisor's prior approval;
- (4) knowingly maintains false books or records, or knowingly submits any false reports to the Franchisor, or denies the Franchisor's representatives the right to enter and inspect the Restaurant or to examine or audit its books and records;
- (5) within any period of 12 consecutive months, fails to comply with this Agreement on 3 or more separate occasions for which notices of default were given (or fails on 2 or more separate noticed occasions to comply with the same obligation), whether or not those failures to comply are corrected;
- (6) makes any unauthorized use of the Marks or contests or opposes in any court or proceeding the Franchisor's ownership of all or any part of the Marks or the System;
- (7) makes any unauthorized use or disclosure of any Confidential Information, or any portion of the Operations Manual or training materials, or duplicates any part of the System at another restaurant or business (other than another Johnny Rockets restaurant), or makes any other unauthorized use of any part of the System;
- (8) makes or attempts an unauthorized transfer of rights or obligations under this Agreement or any interest in the Franchisee in violation of Section 13, or takes any action toward dissolving or liquidating the entity owning the franchise, or any similar action is taken against the Franchisee, without providing the Franchisor advance written notice and complying with Section 13;
- (9) is convicted of, or pleads no contest to, a felony or other crime or offense that the Franchisor believes may adversely affect the Franchisee's reputation, or the reputation of the Franchisor, the Restaurant, the Marks, or the System;
- (10) becomes insolvent or is unable to pay its debts as they mature; makes an assignment for the benefit of creditors or an admission of inability to pay obligations as they become due; files a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution, composition or other settlement with creditors under any law; admits or fails to contest the material allegations of any pleading filed against it related to any insolvency action; is adjudicated bankrupt or insolvent; has a receiver or other custodian appointed for a substantial part of its assets or its Restaurant; has a final judgment remain unsatisfied or of record for 90 days or longer; has an execution levied against any substantial part of its assets; has a tax levy made; has a suit to foreclose any lien or mortgage against it or its Restaurant instituted and not dismissed within 90 days; has a substantial part of its real or personal property sold after levy of judgment by any sheriff, marshal or constable; or has the claims of its creditors abated or subjected to a moratorium under any law; or

(11) breaches a material obligation, representation, or warranty contained in this Agreement, and by its nature the breach cannot be cured.

C. TERMINATION BY JOHNNY ROCKETS WITH NOTICE: 24 HOUR CURE

If any of the following Franchisee defaults occur, the Franchisor may terminate this Agreement by giving the Franchisee written notice stating the nature of the default 24 hours prior to a specified termination date. You may avoid termination by curing the default to the Franchisor's satisfaction within the 24 hour cure period. If the specified default is not timely cured, this Agreement will terminate without further notice, effective upon expiration of the 24 hour period. The Franchisee defaults to which this 24 hour termination provision applies are the following:

- (1) conducting Restaurant operations in a manner that, in the opinion of a local governmental authority or the Franchisor, constitutes an imminent danger to public health or safety;
- (2) failing to faithfully observe appropriate food-borne illness prevention techniques; or
- (3) any breach of this Agreement that materially impairs the goodwill associated with any of the Marks or the System.

D. TERMINATION BY JOHNNY ROCKETS WITH NOTICE: 10-DAY CURE

If any of the following Franchisee defaults occur, the Franchisor may terminate this Agreement by giving the Franchisee written notice stating the nature of the default 10 days prior to a specified termination date. You may avoid termination by curing the default to the Franchisor's satisfaction within the 10-day cure period. If the specified default is not timely cured, this Agreement will terminate without further notice, effective upon expiration of the 10-day period. The Franchisee defaults to which this 10-day termination provision applies are the following:

- (1) failure to accurately report all Net Sales;
- (2) failure to timely pay any amounts due for Royalty Fees, Marketing Fund Fees, or any other amounts due the Franchisor or its affiliates;
- (3) failure to pay any debts, obligations, assessments and taxes due and payable to vendors, suppliers, lessors, federal, state or local governments or creditors in connection with Franchisee's business, unless there is a bona fide dispute and the Franchisee is properly, and without further risk of loss of the Restaurant or the Premises, contesting the matter;
- (4) violation of any law, ordinance, rule, or regulation of a government agency in connection with the Premises or the operations of the Restaurant, or failure to correct the violation after notice, unless there is a bona fide dispute as to the violation or the legality of the law, ordinance, rule, or regulation, and the Franchisee has properly resorted to appropriate courts or forums to contest that violation or legality; or
- (5) failure to obtain or maintain in force any insurance, license, permit, or bond required by local authority, or by this Agreement, or that is necessary for the Premises or the operations of the Restaurant.

E. TERMINATION BY JOHNNY ROCKETS WITH NOTICE: 30-DAY CURE

If any of the following Franchisee defaults occur, the Franchisor may terminate this Agreement by giving the Franchisee written notice stating the nature of the default 30 days prior to a specified termination date. You

may avoid termination by curing the default to the Franchisor's satisfaction within the 30-day cure period. If the specified default is not timely cured, this Agreement will terminate without further notice, effective upon expiration of the 30-day period. The Franchisee defaults to which this 30-day termination provision applies are the following:

(1) failure to comply with any provision of this Agreement other than the provisions allowing the Franchisor to terminate this Agreement immediately, with a 24-hour cure period or with a 10-day cure period, as set forth in Sections 16.B, 16.C and 16.D;

(2) failure to comply with any mandatory Standards in the Operations Manual or otherwise prescribed by the Franchisor, other than those Standards for which the non-compliance allows the Franchisor to terminate the Agreement immediately or with a 24-hour or 10-day cure period, as set forth in Sections 16.B, 16.C and 16.D;

(3) failure to commence or properly and in a workmanlike manner complete any required maintenance, repairs, or refurbishment to the Restaurant;

(4) failure to satisfactorily pass any inspection of the Restaurant or the Premises by the Franchisor or local authority, other than those failures which allow the Franchisor to terminate the Agreement with a 24-hour cure period as set forth in Section 16.C;

(5) failure to employ a full-time, trained General Manager or appropriate number of Certified Restaurant Managers; or

(6) default by the Franchisee, or any of its Principals or any affiliate, under the terms of any other agreement with the Franchisor, including, without limitation, any Development Agreement, any lease or other franchise agreement, with the Franchisor.

F. COMPLIANCE WITH APPLICABLE LAW.

If any provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, those provisions shall not be followed to the extent they are not in accordance with applicable law. The Franchisor shall in that case comply with applicable law governing the notice period or grounds for termination, cancellation, or non-renewal of the Agreement.

G. NO LIMITATION ON EVENTS OF DEFAULT OR REMEDIES

In any judicial proceeding in which the validity of Franchisor's termination is at issue, the Franchisor will not be limited to relying on the reasons for termination which are set forth in this Article 16 or in any notice sent to the Franchisee in accordance with this Article. The Franchisor's specified rights to terminate this Agreement are in addition to all rights or remedies available at law or in equity in case of any actual or threatened Franchisee breach, failure, or default. All of the Franchisor's rights and remedies are cumulative and not alternative.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. YOUR OBLIGATIONS

Upon any termination or expiration of this Agreement, your License to use the Marks and the System and your right to operate the Restaurant under the Marks will immediately terminate, and:

(1) You must pay to us, within fifteen (15) days after termination or expiration or such later date on which the amounts due to us are determined, all sums owing or accrued from you to us, including but not limited to, Royalty fees, Marketing Fund contributions, amounts owed for your purchases from us or our parent, subsidiaries and affiliates, predecessors, successors and assigns, interest due on any of the

foregoing, and all other amounts owed to us or our parent, subsidiaries and affiliates under this Agreement or otherwise and any costs and expenses, including reasonable attorneys' fees, incurred by us by reason of your default. Upon termination by reason of your default under Section 16 of this Agreement, such sums shall include actual and consequential damages suffered by us for the remainder of the term of this Agreement, and costs and expenses (including reasonable attorneys' fees) incurred by us, as a result of the event of default and the termination; and

(2) You must immediately cease to operate the Restaurant and not directly or indirectly at any time or in any manner identify yourself or any business as a current or former Johnny Rockets restaurant, or as a current or former franchisee or licensee of ours, or as otherwise associated with us, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us. You must also return to us any and all resalable inventory of our Proprietary products for which you will be compensated at the lower of their cost or market value; and

(3) You must immediately and permanently cease to use, by advertising or in any other manner whatsoever, any feature or method associated with the System, any or all of the Marks or any colorable imitation thereof and any other trade secrets, Confidential Information, the Operation Manual, slogans, trade dress, signs, symbols or devices which are part of our System or are otherwise used in connection with the operation of the Restaurant. You agree that any unauthorized use of our Marks after termination of this Agreement will constitute willful trademark infringement and will cause us irreparable harm; and

(4) You must immediately cease to use in any business or otherwise any of our Confidential Information which has been disclosed to, learned by or acquired by you. You must immediately return to us all copies of the Operations Manual and other Confidential Information in your possession (all of which you acknowledge to be our property), and will retain no copy or record of any of the foregoing or electronic access to any of the foregoing, except your copy of this Agreement, any correspondence between the parties, and any other documents which you reasonably needs for compliance with any provision of law; and

(5) You must immediately remove from the Premises, and return to us (or with our consent, destroy) any and all signs, menus, fixtures, furniture, furnishings, equipment, advertising, materials, stationery supplies, forms or other articles that display or contain any Mark or that otherwise identify or relate to a Johnny Rockets restaurant; and

(6) You must immediately remove all Marks that are affixed to uniforms and/or, at our direction, cease to use all uniforms that have been used in the Restaurant; and

(7) You must, within five (5) days after termination or expiration, disconnect, withdraw and/or terminate any telephone listings and/or fictitious name registration containing the word "Johnny Rockets". Upon our written demand upon any termination, expiration or non-renewal of the License, you must assign to us any telephone number used in the operation of the Restaurant. You hereby appoint us as your attorney-in-fact to do any act necessary to effect the intent of this paragraph; and

(8) You must continue to comply with Section 15 of this Agreement, for the Post-Term Period specified therein. If you begin to operate any other business, wherever situated, you will not, in connection with such other business or the promotion thereof, use any reproduction, counterfeit, copy or colorable imitation of any of our Marks or trade dress; and you will not utilize any designation of origin or description or representation which falsely suggests or represent an association or connection with Johnny Rockets, whether or not it constitutes unfair competition; and

(9) You must, at our request, either terminate or assign to us any website that identifies you as currently or formerly associated with us or that displays any Mark, as well as any domain name of such website or any of your domain names (collectively the "Domain Names"); and you acknowledge that, between Johnny Rockets and Franchisee, Johnny Rockets has the sole right to any Domain Name; and

(10) You must furnish to us within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the foregoing obligations.

B. OUR RIGHTS AND REMEDIES UPON TERMINATION.

(1) Our Right to Deidentify Premises. If you fail to take such actions as required above to our satisfaction within thirty (30) days of termination or expiration of this Agreement, you grant us the right to enter the Premises to remove all items bearing the Marks and take such actions as we deem necessary to de-identify the Restaurant from the System without committing any trespass or incurring any liability for such actions. You will be responsible for all costs and expenses that we incur in taking such actions.

(2) Temporary Operating Period. Upon termination, expiration or refusal to renew or extend the term of this Agreement, we will be entitled, at our sole option, to elect to continue to operate the Restaurant for a temporary period selected by us, not to exceed six (6) months ("Temporary Operating Period"). We will deliver written notice to you if we elect to exercise this option. During the Temporary Operating Period, we shall pay all of the normal operating expenses, including the payment of current rent and other charges due under the Lease for the Restaurant arising during the Temporary Operating Period, and salaries of employees working in the Restaurant which accrued while we operate the Restaurant. On or prior to the expiration of the Temporary Operating Period we will be further entitled, at our sole option, to assume your executory obligations under the real estate and equipment leases applicable to the Restaurant and to exercise the purchase option described in Section 17.C.3 below. If we exercise our option to permanently operate the Restaurant, we shall use reasonable efforts to release and discharge of you from any executory obligations under the real estate and equipment leases for the Restaurant or shall hold you harmless from future rents, future lease charges and all other future liabilities under the applicable leases.

(3) Right to Purchase Assets and Assume Lease. We shall, within thirty (30) days following the expiration or termination of this Agreement for any reason, or within the Temporary Operating Period referenced in Section 17.C.2 above, have the option, at our sole discretion, to purchase all or any portion of the assets of the Restaurant and any other materials, equipment or supplies bearing our Marks, and to have you assign and transfer the Lease for the Premises to us. Our purchase price for the portion of your inventory or supplies purchased directly from us shall be at your cost. Our purchase price for the remaining inventory, equipment, parts, fixtures and furnishings utilized by you in the operation of the Restaurant shall be the fair wholesale market value thereof. In addition, we shall be permitted to deduct and withdraw from the purchase price to be paid to you for any such items all sums due and owed to us. In determining the fair market value of such items, the parties shall exclude any factor or increment for goodwill or going-concern value. Except as provided below, the purchase price will be paid in cash at the closing of any such purchase which will occur no less than thirty (30) days from the date of exercise of the option.

If the parties are unable to reach agreement as to the fair market value of the assets of the Restaurant to be purchased by us, the parties hereby agree to appoint an independent appraiser to make such determination, whose determination will be binding upon the parties. The fees and expenses of such appraisal shall be paid in equal proportions by the parties. If you do not object to proposed appraiser within twenty (20) days after our notice, such appraiser will be deemed approved by both parties.

C. CONTINUING OBLIGATIONS.

All obligations of Johnny Rockets and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. The obligations which shall survive the termination or expiration of this Agreement include without limitation Sections 4 (Marks), 5.D (Indemnification), 6 (Confidentiality), 8.L (Insurance), 15 (Restrictive Covenants), 17 (Obligations after Termination or Expiration), 19 (Enforcement), and 20 (Waivers).

18. DISPUTE RESOLUTION.

A. AGREEMENT TO USE PROCEDURE.

Except to the extent we seek payments owed by you to us or to our affiliates or injunctive or other equitable relief or specific performance to enforce provisions of this Agreement, the provisions of this Section

18.A shall apply to all disputes between the Franchisor (including our affiliates, owners, officers, directors, and employees) and the Franchisee and/or its Principals, arising out of or relating to this Agreement (including any claim that any part of this Agreement is invalid, illegal, or otherwise ineffective), to disclosures made or other actions or omissions occurring prior to execution of the Agreement, and/or to any business relationship that exists, or activities that are conducted, as a result of this Agreement (each, a "Dispute"); provided, that the provisions of this Section 18.A shall not apply after Franchisor has terminated this Agreement under Section 16, even if the Franchisee disputes the validity of the termination. We will use these procedures to attempt to resolve amicably any Dispute without the necessity of litigation and before commencing any legal action, except as permitted in this Section. If a party commences any legal action without first using these procedures, the other party will be entitled, upon appropriate motion, to abate the legal action pending compliance with this Section 18.A.

B. INITIAL PROCESS.

The party initiating the process must give initial written notice to the other party describing the Dispute and identifying one or more authorized individuals with power to resolve the Dispute. The date of receipt of the initial notice is the "Start Date." Within 10 days after the Start Date, the other party must designate in writing its authorized individuals with power to resolve the Dispute. The authorized individuals will meet in good faith no later than twenty (20) days after the Start Date to discuss resolution of the Dispute. If the Dispute has not been resolved within forty-five (45) days after the Start Date, any party may cease direct negotiations and submit the Dispute to mediation in accordance with the procedure in Section 18.C.

C. MEDIATION.

(1) Selection of Location and Mediator: Within 10 days after the parties cease direct negotiations under Section 18.B, they will attempt to select a location for the mediation. If they cannot agree within 10 days, the mediation will be held either in the city in which the Franchisor then has its principal business office or in Suffolk County, Massachusetts, with us making the choice between the location options. The parties must then select a person to mediate the Dispute. If the parties cannot agree on a mediator within 10 days after the location for mediation has been determined, any party may request the American Arbitration Association to supply a list within 5 business days of 5 potential qualified mediators, who are either an attorney experienced in the field of franchising or a retired or former judge of a court of record. Within ten (10) days after receipt of the list, the parties must rank the proposed mediators in numerical order of preference, exchange their lists, and select the individual receiving the highest combined ranking as the mediator. If that individual is not available to serve, the parties will proceed to contact the individual who was the next highest in ranking until a mediator is selected.

(2) Conduct of Mediation: The parties and the mediator will determine a date for the mediation. Both parties will deliver a summary of its position on the Dispute to the mediator at least seven (7) days before the first scheduled mediation session. The mediator will determine the meeting format and the mediation session will be private. The mediator will keep confidential all information learned in private discussion with any party unless that party authorizes disclosure. The mediation will be governed by other rules the mediator prescribes.

(3) End of Mediation: The mediator will end the mediation if the process fails to resolve the Dispute at the conclusion of 10 hours of mediation sessions, unless the parties agree to continue the sessions. In addition, any party may terminate the mediation process if any other party fails to take any action when required in order to further the mediation process. The parties may not commence any legal action or seek other remedies until seven (7) days following the end of the mediation process. However, any party may commence litigation within that seven (7) day period if litigation of the Dispute could be barred by an applicable statute of limitations or to seek an injunction to prevent irreparable harm, or other equitable relief or specific performance.

(4) Fees; Disqualification; Confidentiality. We will both share the fees and expenses of the mediator equally. Each party will pay their own other costs of the mediation. The mediator will be disqualified as a witness, expert, or counsel for any party with respect to the Dispute and any related matters. All negotiation and mediation pursuant to this Article will constitute settlement discussions for

purposes of federal and state rules of evidence. The entire mediation process is confidential, and all conduct, statements, promises, offers, and opinions will not be discoverable or admissible in any legal proceeding for any purpose. Evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission solely because of its use in the mediation.

19. ENFORCEMENT.

A. GOVERNING LAW.

We may grant franchises throughout the United States on terms and conditions similar to those set forth in this Agreement, and it is of mutual benefit to us and all of our franchisees that the terms and conditions be uniformly interpreted. Therefore, unless the applicable law in the state in which you have your principal place of business requires otherwise, this Agreement will be governed by and interpreted in accordance with Massachusetts law, without regard to any conflict of law rules.

B. JURISDICTION AND VENUE.

Unless the applicable law in the state in which you have your principal place of business requires otherwise, the parties also specifically and deliberately agree that all litigation of controversies, claims or disputes between us and you (or your Principals) which arise out of or relate to this Agreement or any other agreement between us or our affiliates and you or your affiliates, or the relationship between you and us, may be brought only in a state or federal court of competent jurisdiction in the Commonwealth of Massachusetts. You and your Principals irrevocably submit to the jurisdiction and venue of those courts and waive any objection to the jurisdiction and venue of those courts.

C. INJUNCTIVE RELIEF.

If you or any of your Principals breach any provisions of this Agreement regarding the System, the Marks, Confidential Information or trade secrets, restrictive covenants, or limits on competition, or engages in other conduct that could materially damage the goodwill associated with the Marks, Johnny Rockets restaurants, or the System, or violates the terms of Sections 17.C.2 or 17.C.3, then you and your Principals agree that we will have no adequate remedy at law. Therefore, you and your Principals expressly agree that, in addition to all other available remedies, we will be entitled to commence a legal action and obtain an injunction or other form of equitable relief or specific performance (including a preliminary injunction or temporary restraining order) to prevent or eliminate the occurrence or continuation of any actual or threatened breach, default, violation, or conduct. We will not be required to post a bond to obtain preliminary or temporary injunctive relief. The only remedy, if an injunction is wrongfully entered against you or your Principals, will be the dissolution of that injunction, and you and your Principals do not have any right to recover damages for wrongful entry of an injunction. We are not required to pursue the dispute resolution procedures of Section 18.A before filing a lawsuit to seek injunctive or other equitable relief or specific performance.

D. ATTORNEY'S FEES

In any proceeding to enforce or interpret this Agreement or rights and obligations between the parties arising out of or relating to the Agreement or operation of the Restaurant, or appeal thereof, the prevailing party may recover its costs and expenses, including but not limited to reasonable attorneys' fees, expert witness fees, costs of investigation, court costs, other litigation expenses, and reasonable travel expenses. In any proceeding involving more than one allegation or issue, where neither party prevails on all allegations or issues, the court may apportion fees, costs and expenses between the parties.

E. WAIVERS AND LIMITATIONS OF ACTIONS.

EACH OF THE PARTIES AND YOUR PRINCIPALS HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREES AS FOLLOWS:

(1) EACH PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY; AND

(2) EACH PARTY EXPRESSLY WAIVES ANY AND ALL CLAIMS FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, EXCEPT THAT JOHNNY ROCKETS MAY AT ANY TIME BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW; AND

(3) EACH PARTY EXPRESSLY AGREES THAT IT WILL NOT INITIATE OR PARTICIPATE IN ANY CLASS ACTION OR OTHER GROUP, COLLECTIVE, CONSOLIDATED, JOINT OR ASSOCIATIONAL CLAIM, OR ANY ACTION BROUGHT IN A REPRESENTATIVE CAPACITY, AGAINST ANY OTHER PARTY HERETO; AND

(4) Each party expressly agrees that no party may recover damages for economic loss attributable to negligent acts or omissions, except for conduct which is determined to constitute gross negligence or an intentional wrong; and

(5) Each party expressly agrees that in the event of any final adjudication or applicable enactment of law that punitive, multiple and/or exemplary damages may not be waived by the parties, no recovery by any party in any forum will ever exceed two (2) times actual damages, except for an award of multiple damages to Johnny Rockets for willful trademark infringement, as provided by law; and

(6) Each party expressly agrees that any and all claims and actions arising out of or relating to this Agreement, or the relationship of Johnny Rockets and Franchisee, or Franchisee's operation of the Restaurant, brought in any forum by any party hereto against another, must be commenced within two (2) years after the discovery of the facts giving rise to such claim or action, or such claim or action will be barred.

The foregoing provisions shall govern all Disputes.

F. RIGHTS OF PARTIES ARE CUMULATIVE.

All rights and remedies of the parties under this Agreement are cumulative, and no exercise or enforcement by either party of any right or remedy will preclude the exercise or enforcement of any other right or remedy under this Agreement or under the law or in equity, except as otherwise set forth in this Agreement.

20. MISCELLANEOUS TERMS.

A. ENTIRE AGREEMENT; INTERPRETATION.

(1) This Agreement, including the background recitals and exhibits hereto, constitutes the entire agreement between you and us related to the subject matter of this Agreement, except for the Development Agreement, if any, certain portions of which survive the execution and delivery of this Agreement. In the event of a conflict between this Agreement and the Development Agreement, the provisions of this Agreement will control.

(2) This Agreement fully replaces and supersedes all prior agreements (other than the Development Agreement, if any), representations, and understandings between you and us, either oral or written, relating to the subject matter of this Agreement, and no oral or written representations, inducements, promises, agreements, arrangements or undertakings have been made or are relied upon by the parties, other than as set forth herein, in the Development Agreement (if any), or in our Franchise Disclosure Document. Nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

(3) The provisions of this Agreement shall be interpreted to provide that you at all times operate the Restaurant in conformity with the System, through strict adherence to our mandatory Standards, specifications, and policies as they now exist and as they may be modified by the Franchisor from time to time.

B. AMENDMENT AND BINDING EFFECT

This Agreement may be amended or modified only by a writing signed by you and us. However, we may modify the Operations Manual at any time without your consent, and you will comply with all mandatory provisions of the Manual. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. This Agreement is binding upon the parties to it and their respective executors, administrators, heirs, permitted assigns, and successors in interest.

C. WAIVER OF OBLIGATIONS

You and we may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in the good faith exercise of our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice. You and we will not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand strict compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate the License prior to the expiration of its term), by virtue of any (i) custom or practice of the parties at variance with the terms hereof; (ii) any failure, refusal, or neglect by you or us to exercise any right under this Agreement; or (iii) any failure, refusal, or neglect by you or us to insist upon exact compliance by the other with its obligations hereunder.

D. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

If any provision of this Agreement is invalid or unenforceable as written under applicable law, it shall be modified or limited as necessary to make the provision valid and enforceable to the greatest extent possible under applicable law. If any provision of this Agreement is finally declared by a court to be invalid, or unenforceable, the remaining provisions shall remain in full force as if the Agreement had never contained the invalid provision. Provided, that if any part of this Agreement relating to the payment of fees to the us, or the preservation of any of our Marks, trade names, Confidential Information, or trade secrets is declared invalid or unenforceable, then we shall have the right to immediately terminate this Agreement and to recover all our Marks and other intellectual property, upon written notice to you.

E. FORCE MAJEURE

Neither you nor we will be liable for loss or damage or deemed to be in breach of this Agreement if a failure to perform particular obligations results from: (i) transportation shortages, inadequate supply or unavailability from the manufacturers or suppliers of equipment, merchandise, supplies, labor, material, or energy, or the voluntary surrender of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof; (ii) acts of God; (iii) fires, other natural disasters, strikes, embargoes, war or riot; or (iv) any other similar event or cause beyond the foreseeable and reasonable control of the party.

Any delay resulting from any of such causes will extend the time for performance or excuse performance, in whole or in part, as may be reasonable, except that such causes will not excuse payments of amounts owed at the time of such occurrence or payment of any amounts due thereafter.

F. BINDING EFFECT

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest; provided that it shall be binding on any of your transferees only upon our approval as provided for in Section 13.B.

G. NOTICES AND PAYMENTS

All notices permitted or required under this Agreement must be in writing, addressed to the party to be notified at the address provided on the first page of this Agreement or its most current principal business address.

of which the notifying party has been notified in writing, and may be delivered in the following manners and deemed delivered in the following times: (i) at the time delivered by hand, (ii) one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, (iii) the day of transmission by email, with proof of receipt; or (iv) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. and All payments and reports required by this Agreement will be directed to Johnny Rockets at the address notified to the Franchisee from time to time, or to such other persons and places as Johnny Rockets may direct from time to time. Any required payment or report not actually received by Johnny Rockets during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

H. INTERPRETATION.

(1) Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

(2) Except where this Agreement expressly obligates Johnny Rockets to reasonably approve or not unreasonably withhold its approval of any action or request by the Franchisee, Johnny Rockets has the absolute right to refuse any request by the Franchisee or to withhold its approval of any action or omission by the Franchisee.

(3) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs.

(4) The term "family member" as used herein refers to parents, spouses, offspring and siblings, and the spouses of parents and siblings.

(5) The term "affiliate" as used herein means any person or entity that directly or indirectly owns or controls, or is owned or controlled by, or is under common ownership or control with, another person or entity.

(6) References to a "controlling interest" in the Franchisee will mean fifty percent (50%) or more of the voting control of the Franchisee or such lesser percentage that may have the power to control the management and affairs of the Restaurant or the Franchisee.

(7) The term "Franchisee" as used herein is applicable to one or more persons, a corporation, limited liability company, partnership or other entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Johnny Rockets will be joint and several.

(8) This Agreement may be executed in counterparts, each of which will be deemed an original.

(9) Time is of the essence of this Agreement.

21. PROVISIONS APPLICABLE IF FRANCHISEE IS AN ENTITY.

You may be a sole proprietorship or organized as a general partnership, corporation or limited liability company. You may not be a limited partnership, trust or other entity we have not specifically authorized herein or approved in writing.

A. IF YOU ARE A CORPORATION.

You represent, warrant and agree that (i) you are organized under the laws of the state set forth at your signature below, (ii) your charter provides that your activities are limited to developing and operating Johnny Rockets restaurants, (iii) you are and will remain duly organized and in good standing during the term of this Agreement, (iv) each of your stock certificates has and will have conspicuously endorsed upon it a statement that any assignment or transfer thereof is subject to all restrictions imposed upon transfers by this Agreement; (v) all your shareholders must enter into a written agreement, in a form satisfactory to us, to jointly and severally guaranty the full payment and performance of the corporation's obligations to Johnny Rockets and to assume all personal

obligations required of partners, members and/or shareholders contained in this Agreement; and (vi) no new shares of your common or preferred voting stock will be issued to any person, persons, partnership, association, LLC or corporation without obtaining our prior written consent pursuant to Section 13 of this Agreement. You will at all times maintain a current list of all owners of record and all beneficial owners of any class of your voting stock and you will furnish the list to us upon request. You agree to complete and execute, from time to time upon our request, a Certificate of Resolution in form as attached hereto as Exhibit C-1.

B. IF YOU ARE A LIMITED LIABILITY COMPANY.

You represent, warrant and agree that (i) you are a limited liability company ("LLC") organized under the laws of the state set forth at your signature below, (ii) your Operating Agreement provides that your activities are limited to developing and operating Johnny Rockets restaurants, (iii) you are and will remain duly organized and in good standing during the term of this Agreement, (iv) your Operating Agreement provides that any assignment or transfer of membership interests in the LLC is subject to all restrictions imposed upon transfers by this Agreement; (v) all your members must enter into a written agreement, in a form satisfactory to us, to jointly and severally guaranty the full payment and performance of the LLC's obligations to Johnny Rockets and to assume all personal obligations required of partners, members and/or shareholders contained in this Agreement and (vi) no new membership interest(s) in the LLC will be created for, issued or granted to any person, persons, partnership, association LLC or corporation without obtaining our prior written consent, pursuant to Section 13 of this Agreement. You will at all times maintain a current list of all your members of record and you will furnish the list to us upon request. You agree to complete and execute, from time to time upon our request, a Certificate of Authority and Incumbency in form as attached hereto as Exhibit C-2.

C. MANAGING OWNER/MEMBER.

You represent and warrant that your Managing Owner/Member designated in Exhibit C presently has and will have, throughout the term of this Agreement, the authority to bind you in any dealings with us, our parent, subsidiaries and affiliates and to direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Restaurant, Premises and License. You agree to furnish us with such evidence as we may from time to time request. We may fully rely upon these representations and warranties until such time as you notify us in writing of a change of your Managing Owner/Member. No change in the Managing Owner/Member may be made without prior written notice to us. If you wish to change your Managing Owner/Member, we must approve your proposed new Managing Owner/Member pursuant to our then-current criteria for Managing Owners/Members. If your Managing Owner/Member dies or becomes disabled or incapacitated, you must, within sixty (60) days thereafter, name a new Managing Owner/Member approved by us pursuant to our then current criteria for Managing Owners/Members.

22. ACKNOWLEDGEMENTS

Contemporaneously with your execution of this Agreement, you have carefully reviewed and executed the Disclosure Acknowledgment Statement attached to and incorporated into this Agreement as Exhibit A.

You acknowledge that, due to the length of time we have been granting licenses to operate Johnny Rockets restaurants or other food service concepts using the Marks, there is more than one form of franchise agreement in effect between us and our various franchisees and that such agreements contain provisions that may be materially different from the provisions contained in this Agreement and that you are not entitled to rely on any provision of any other such agreement, whether to establish course of dealing, waiver, estoppel or for any other purpose.

You acknowledge receiving our Franchise Disclosure Document no less than fourteen (14) calendar days before you paid us any monies or the date you are executing this Agreement. We acknowledge that nothing in this Agreement is intended to disclaim any representation we made in the Franchise Disclosure Document you received.

The Undersigned Franchisee hereby grants Johnny Rockets the right to inspect the records of any of Franchisee's suppliers and distributors of raw materials, food products, supplies and equipment and hereby authorizes such parties to release to Johnny Rockets records of the Franchisee's purchases and deliveries, by electronic transfer or otherwise, at such times and places as Johnny Rockets may from time to time reasonably request.

The parties expressly acknowledge their understanding of the waiver of rights set forth in Section 19.E of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement as of the Agreement Date.

JOHNNY ROCKETS LICENSING, LLC,
a Delaware limited liability company

By: _____
Name: _____
Its: _____

FRANCHISEE

Entity: _____
organized under the laws of the state of _____

By: _____
Name: _____
Its: _____

Individually:

By: _____
Name: _____
By: _____
Name: _____

IN CONSIDERATION OF the execution of the Franchise Agreement by Franchisor and based on the benefit received from the Franchise Agreement by the undersigned, each of the following persons who each owns a 10% or more direct or indirect ownership interest in the Franchisee hereby adopts and agrees to comply with the terms and provisions of Sections 4, 6, 13, 15, 18, 19, 20, 21, and 22 of the Franchise Agreement.

PRINCIPAL(S):

[NAME OF PRINCIPAL]

Date Signed: _____

[NAME OF PRINCIPAL]

Date Signed: _____

[NAME OF PRINCIPAL]

Date Signed: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT
BETWEEN JOHNNY ROCKETS LICENSING, LLC
AND

Dated: _____

DISCLOSURE ACKNOWLEDGMENT STATEMENT

JOHNNY ROCKETS LICENSING, LLC ("we" or "us") through the use of this Disclosure Acknowledgment Statement, desires to ascertain that _____ ("you") fully understand and comprehend that your execution of this Franchise Agreement for a License to own and operate a Johnny Rockets restaurant (the "Restaurant") is a business decision, complete with its associated risks, and that it is our policy to verify that you are not relying upon any oral or written statements, representations, promises or assurances or visual observations relating to a Johnny Rockets restaurant which have not been authorized by us.

1. You recognize and understand that business risks, which exist in connection with the ownership, development and operation of any business, make the success or failure of the Restaurant subject to many variables, including such factors as your skills and abilities, competition, interest rates, the economy, inflation, store location, operation, labor and supply costs, lease terms and costs, the market place and others. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that the success of the venture involves substantial business risk and will be primarily dependent upon your ability as an independent business person. You hereby acknowledge your willingness to undertake these business risks.

2. You acknowledge that you have received and had the opportunity to personally read and review, and that you comprehend and understand this Franchise Agreement. You acknowledge that we have permitted you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with the operation of a Johnny Rockets restaurant and of entering into this Franchise Agreement. You also acknowledge that you have received and read carefully, and that you understand, the Franchise Disclosure Document (the "Disclosure Document") prepared by us, and that we have not made any oral, written or visual claims, representations, promises, agreements, contracts, commitments, understandings or statements which contradict or are inconsistent with and not contained in the Disclosure Document.

3. You agree and acknowledge that your decision to enter into this business and undertake the risks inherent therein is in no manner predicated upon any oral, written or visual representations, assurances, warranties, guarantees or promises made by us or any of our directors, officers, employees or agents (including any broker) as to the likelihood of success of the Restaurant.

4. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any information, representations, warranties, guarantees, inducements, promises or agreements, express or implied, orally or otherwise, from us or any of our directors, officers, employees or agents (including any broker) concerning the actual, average, projected or forecasted sales, revenues, profits, earnings or likelihood of success that you might expect to achieve from operating a Johnny Rockets restaurant, that are contrary to the statements made in the Disclosure Document.

5. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any promises, agreements, contracts, commitments, representations, understandings, "side deals" or other assurances, express or implied, orally or otherwise, that we have made to or with you with respect to any matter regarding advertising, marketing, television, radio or other media support, site

location, market penetration, or training, operating and support assistance or other services, that are contrary to the statements made in our Disclosure Document.

6. You acknowledge that you have evaluated on your own and have made an independent investigation of the site for the Restaurant and the lease or purchase agreement for the site. You acknowledge that you bear primary responsibility for selecting the site for the Restaurant and for negotiating the terms and conditions of your lease or purchase agreement for the site.

7. You acknowledge that, although we have provided you with the plans and specifications for the Restaurant, have specified certain furniture, fixtures and equipment for the Restaurant, and have certain rights of review and/or approval under our Franchise Agreement with you, that you have not received or relied upon, and we have not made, any warranty whatsoever, of the Restaurant or the plans, specifications, furniture, fixtures and equipment. You acknowledge that it is your sole responsibility to insure that the Restaurant's construction or conversion remodeling complies with any and all applicable laws, codes or regulations. You acknowledge that you are solely responsible for, and that we will have no liability or obligation, whatsoever, with respect to the plans, the construction or the conversion remodeling of the Restaurant.

8. You agree and acknowledge that system uniformity is a material benefit of operating a franchise business and that a single system dispute resolution procedure significantly contributes to uniformity. You have knowingly and willingly accepted a uniform choice of law and venue.

9. You understand that the Franchise Agreement is non-exclusive and that we or another franchisee may open one or more Johnny Rockets restaurants, or other food service establishments, near your Restaurant, but not within your Protected Area.

10. All representations requiring a prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

By: _____
Name: _____
Its: _____

Individually:

EXHIBIT B TO THE FRANCHISE AGREEMENT
GUARANTY OF FRANCHISEE'S OBLIGATIONS

This Guaranty is from the undersigned officers, directors or owners of the Franchisee under the Franchise Agreement (the "Agreement") dated the date hereof between **JOHNNY ROCKETS LICENSING, LLC** ("Johnny Rockets") and _____ (the "Franchisee").

In consideration of and as an inducement to the execution of the Agreement by Johnny Rockets, each person signing this Guaranty hereby personally and unconditionally, jointly and severally: (i) guarantees to Johnny Rockets and its successors and assigns that the Franchisee will punctually pay when due all amounts required to be paid under the Agreement and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including, without limitation, provisions for non-competition, confidentiality, audits, restrictions on debt, transfer, venue and jurisdiction.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Johnny Rockets arising or resulting from the undersigned's execution of and performance under this Guaranty; (ii) acceptance and notice of acceptance by Johnny Rockets of the undersigned's obligations under this Guaranty; (iii) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed by the undersigned; (iv) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by the undersigned; (v) any right the undersigned may have to require that an action be brought against the Franchisee or any other person as a condition of the undersigned's liability; and (vi) all other notices and legal or equitable defenses to which the undersigned may be entitled in the undersigned's capacity as guarantor.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this Guaranty will be joint and several; (ii) the undersigned will make any payment or render any performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (iii) the undersigned's liability will not be contingent or conditioned upon Johnny Rockets pursuit of any remedies against the Franchisee or any other person, including any other guarantor; (iv) the undersigned's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Johnny Rockets may from time to time grant to the Franchisee, any guarantor or to any other person, including, for example, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; (v) the undersigned's liability will not be diminished, relieved or otherwise affected by any amendment or modification to the Agreement and (vi) this Guaranty will continue and be irrevocable during the term of the Agreement and, as to those provisions of the Agreement that survive its termination or expiration, after its termination or expiration.

This Guaranty shall be governed by, and construed under, the laws of the Commonwealth of Massachusetts, without regard to its conflicts of law principles. Unless the applicable law in the state in which Franchisee has its principal place of business requires otherwise, the parties also specifically and deliberately agree that all litigation of controversies, claims or disputes between Johnny Rockets and any of the guarantors which arise out of or relate to the Agreement or this Guaranty may be brought only in a state or federal court of competent jurisdiction in the Commonwealth of Massachusetts. You irrevocably submit to the jurisdiction and venue of those courts and waive any objection to the jurisdiction and venue of those courts.

GUARANTOR(S):

, personally

, personally

, personally

Dated: _____

EXHIBIT C-1 TO THE FRANCHISE AGREEMENT
CERTIFICATE OF CORPORATE RESOLUTION

The undersigned officers hereby certify that they are the duly elected and acting officers of _____ (the "Corporation") and that the following is a true and correct copy of the resolutions adopted by the Board of Directors of the Corporation at a meeting duly called and held, at which meeting a quorum was present and acting throughout and that such resolutions have not been rescinded or modified and are now in full force and effect:

"RESOLVED, that this corporation enter into agreements with Johnny Rockets Licensing, LLC and/or its parent, affiliates or subsidiaries, as are necessary and proper to acquire an interest in the Johnny Rockets restaurant located at _____.

FURTHER RESOLVED, that any one of the officers of the corporation is authorized and directed to execute said agreements on behalf of this corporation, and to approve any modifications, extensions, amendments or terminations of said agreements as any said officer may deem to be in the best interests of the corporation, notwithstanding the fact that such documents as amended, modified, terminated or extended may differ from those presented at this meeting."

We further certify that there is no provision in the Charter or By-Laws of the Corporation that limits the power of the Board of Directors to adopt the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

We further certify that the Corporation is duly organized under the laws of the State of _____ and the Corporation currently has issued and outstanding a total of _____ shares of its capital stock, and all of the owners of stock and the number of shares owned by each are as follows:

<u>Print or Type Shareholder's Name</u>	<u>Number of Shares Owned</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

⇒ Attach an additional sheet, if needed. The sum of shares must equal the total stated above.

We further certify that the following list sets forth the current Directors of the Corporation:

_____	_____
_____	_____
_____	_____

⇒ print or type names of Directors above.

We further certify that the Corporation's federal tax identification number (FEI) is _____.

We further certify that the "Managing Owner" designated by the Corporation pursuant to Section 22 of the Franchise Agreement is:

Print or Type Name:

Title:

Signature of Managing Owner:

We further certify that each of the Corporation's stock certificates has conspicuously endorsed thereon the following statement:

"The shares represented by this certificate are held subject to restrictions imposed on transfers by a certain Franchise Agreement between the corporation and Johnny Rockets Licensing, LLC"

The person responsible for supervising the day-to-day operation of the Restaurant must be listed above as a shareholder owning at least ten percent (10%) of the shares of the Corporation. If not, the person is designated below and we certify that he or she has a right to earn a minimum ten percent (10%) shareholder interest, vesting over no more than five (5) years:

Supervisor's Name (if not
a minimum 10% Shareholder) _____

Successors to such person must own or have the right to earn the same minimum shareholder interest.

IN WITNESS WHEREOF, we have hereunto each subscribed our name under the penalties of perjury on or as of the date of this Franchise Agreement.

The following are names and official signatures of the present officers of the Corporation:

Print or Type Name:

Signature of
Officer:

President

Treasurer

Secretary (Clerk)

Vice President

Vice President

EXHIBIT C-2 TO THE FRANCHISE AGREEMENT
CERTIFICATE OF AUTHORITY AND INCUMBENCY
BY MEMBERS OF A LIMITED LIABILITY COMPANY

The undersigned individuals hereby certify that we are all of the Members of _____, a Limited Liability Company ("LLC") duly organized under the laws of the state of _____;

We further certify that the following member (the "Managing Member") is authorized to execute, on behalf of the LLC, any agreements with Johnny Rockets Licensing, LLC and/or its parent, affiliates or subsidiaries (collectively "Johnny Rockets"), as are necessary and proper to acquire an interest in the Johnny Rockets restaurant located at _____.

We further certify that the Managing Member is authorized to make such modifications, extensions, amendments or termination of said agreements as the member may at any time deem to be in the best interest of the LLC and that there is no provision of the LLC's Organization Agreement which limits the power of the Managing Member to bind the LLC to contracts with Johnny Rockets.

The name and specimen signature of the Managing Member of the LLC is as follows:

Print or Type Name: _____

Signature of Managing Member: _____

Johnny Rockets may rely upon this authorization until such time as the LLC submits and Johnny Rockets approves a successor Managing Member.

We acknowledge that any transfer of an interest in the LLC is subject to all restrictions imposed on transfers by the Johnny Rockets Franchise Agreement.

We further certify that the LLC's federal tax identification number (FEI) is _____.

The person responsible for supervising the day-to-day operation of the Restaurant must be listed below as a Member with at least a ten percent (10%) ownership interest in the franchisee entity. If not, the person is designated below and we certify that he or she has a right to earn a minimum ten percent (10%) interest vesting over no more than five (5) years:

Supervisor's Name (if not
a minimum 10% Member) _____

Successors to such person must own or have the right to earn the same minimum shareholder interest.

We further certify that the Members own the percentage interest in the LLC stated below:

IN WITNESS WHEREOF, we have hereunto each subscribed our name under the penalties of perjury on or as of the date of this Franchise Agreement.

<u>MEMBER:</u> (type or print name)	<u>% INTEREST:</u>	<u>SIGNATURE:</u>
_____	_____%	_____
_____	_____%	_____
_____	_____%	_____
_____	_____%	_____

EXHIBIT D TO THE FRANCHISE AGREEMENT

SPECIAL TERMS AND CONDITIONS APPLICABLE TO SITE SELECTION, ACCEPTANCE AND CONTROL AND FRANCHISEE'S CONSTRUCTION AND OPENING OF A NEW RESTAURANT

You intend to build a new Johnny Rockets® restaurant at the Premises set forth or to be set forth in Item A of the Contract Data Schedule of this Agreement (the "Restaurant"). The Restaurant must be constructed (or remodeled for conversion, as the case may be), furnished and equipped in strict compliance with our standards, specifications, procedures and requirements, including our generic, prototypical plans and specifications for the building design and configuration of Johnny Rockets restaurants (collectively, our "Requirements"). We have elected to enter into this Franchise Agreement prior to having the opportunity to ensure that the Restaurant has been built in accordance with all of our Requirements. Accordingly, you acknowledge and agree that your right to commence operations of your Restaurant under the terms of this Agreement is subject to the condition that you will strictly comply with our Requirements and Standards, as set forth in both your Development Agreement, if any, and this Agreement. You further agree not to open the Restaurant for business until we authorize you in writing to do so. In consideration of our conditional grant of a franchise to you for the Premises, you hereby agree as follows:

A. **Net Worth and Liquidity Requirements.** Until the Restaurant opens for business at the Premises, you agree you will maintain and preserve your Net Worth, (defined as the excess of your assets, excluding homes, furnishings and automobiles and any intangibles such as goodwill, over your liabilities) at or above the Net Worth you represented to us in the financial statements you submitted to us in connection with your approval as franchisee.

B. **Site Selection, Acceptance and Control.** If you have not yet selected and obtained our acceptance of a site for the Restaurant Premises, you must do so pursuant to the procedures set forth below.

1. **Franchisee's Responsibility.** Franchisee assumes all cost, liability, responsibility and expense for locating, obtaining and developing sites for the Restaurants and constructing and equipping the Restaurants in accordance with Franchisor's Requirements. Franchisor has the right to determine if a site is an acceptable location. Franchisee shall not make any binding commitment to purchase or lease a site unless and until Franchisor has accepted the site in writing.

2. **Site Acceptance Request.** For each site upon which you propose to develop a Restaurant, Franchisee shall submit a written request on Franchisor's form ("Site Acceptance Request") containing such information as Franchisor may reasonably require, for each proposed site which Franchisee reasonably believes to conform to site selection criteria that Franchisor may establish from time to time for demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including restaurants operated or franchised by Franchisor or its affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises.

3. **Site Acceptance.** Within 30 days after receipt of Franchisee's Site Acceptance Request and any additional information that Franchisor may reasonably require, Franchisor shall advise Franchisee in writing whether it has accepted a particular site. If Franchisor does not respond within that time period, Franchisor shall be deemed to have denied acceptance of the site. Franchisor may reject any proposed site for any reason at its sole discretion, and you may not proceed at the rejected site but must try to locate an acceptable site. Franchisor's acceptance or rejection of a site may be subject to reasonable conditions as determined in its sole discretion.

4. Control of Premises.

A. Within six (6) months from the date of this Agreement, Franchisee shall submit to Franchisor satisfactory proof that Franchisee: (1) owns the Premises; or (2) has leased or subleased the Premises for a term, including renewal terms, for at least the initial term of the Franchise Agreement; or (3) has entered into a written agreement to purchase or to lease or sublease the Premises. If Franchisee proposes to lease or sublease the Premises, then Franchisee shall provide Franchisor with a copy of the fully executed lease or sublease (for a term, including renewal terms, for at least the initial term of the Franchise Agreement) for the Premises. Unless waived in writing by Franchisor, any lease, sublease, letter of intent or lease memorandum for the Premises shall contain a Lease Addendum in the form attached to the Franchise Agreement as Exhibit H.

B. Failure to meet this six month deadline will give us the right to terminate this Franchise Agreement by written notice to you, upon the occurrence of which, all rights and obligations hereunder shall immediately cease and be of no further force and effect.

5. No Liability. Our acceptance of the Premises selected by you is not a representation or a warranty that the Restaurant will be profitable or that you will achieve any particular level of sales at the Restaurant. It merely means that the Premises have met certain minimum criteria we have established for identifying suitable sites for proposed Restaurants in the region in which the Premises is located. You acknowledge that restaurant development is not a precise science and agree that our approval regarding the Premises shall not impose any liability or obligation upon us. The decision to proceed to develop the Restaurant at the Premises under this Agreement is yours, alone.

C. Design and Permitting.

1. Design Approval. We will furnish you a set of our prototypical plans and specifications (the "Johnny Rockets Plans"). The Johnny Rockets Plans are and at all times shall remain our exclusive property. You must employ a licensed architect (your "Architect") to develop a complete set of plans and specifications for the Restaurant in accordance with our Requirements and the laws, codes and regulations of the jurisdiction in which the Premises are located (your "Proposed Plans"). You must submit your Proposed Plans to us for our review and written approval. If we require changes, you must revise your Proposed Plans and resubmit them to us. You must not commence construction until after your Proposed Plans have received our written approval (the "Approved Plans").

NEITHER YOU NOR YOUR ARCHITECT SHALL OBTAIN ANY RIGHTS OF OWNERSHIP, USE OR REUSE IN OUR PROTOTYPICAL PLANS AND SPECIFICATIONS OR IN ANY AND ALL OF YOUR ARCHITECT'S ADAPTATIONS THEREOF, EXCEPT AS IS NECESSARY TO CONSTRUCT THE RESTAURANT.

2. No Modifications. Once you have Approved Plans, there can be no further material change in the site plan, building plans, specifications or zoning approvals without our approval. Without limiting the generality of the foregoing, you must notify us of all modifications required to be made by any governmental agency or other third party, and obtain our prior written approval. We may disapprove any material modification that results in non-compliance with our Requirements. If the party requiring the modification refuses to compromise the change in order to comply with our Requirements, we may then terminate this Agreement by written notice to you.

3. Permits, Compliance with Laws.

A. You must obtain all necessary licenses and permits from all applicable governmental agencies that are needed for completing construction of the Restaurant, including without

limitation those required by applicable zoning, access, utility, sign, building, health, safety, environmental, and other laws, ordinances, rules, regulations and requirements.

B. You must comply with all applicable laws, ordinances, rules, regulations, and requirements of governmental agencies relating to the development and construction of the Restaurant. Without limiting the foregoing, it is your responsibility to obtain satisfactory evidence and/or assurance that the Premises and all structures thereon are free from environmental contamination and in compliance with the requirements of the Americans with Disability Act ("ADA"). We assume no responsibility for evaluation of the soil or subsoil on the Premises for hazardous substances or unstable conditions, inspection of any structure on the Premises for asbestos or other hazardous materials or compliance with the ADA.

D. Construction.

1. Before construction commences, you and your contractor(s) must obtain and maintain a comprehensive general liability insurance policy that conforms to subsection 8.L of this Agreement. Coverage under such insurance shall include operations, premises liability, independent contractor's coverage, contractual liability and automobile liability (owned and non-owned). Prior to commencing construction, you must furnish us with an insurance certificate evidencing the foregoing policy and that all contractors have procured worker's compensation insurance covering all persons employed in construction of the Restaurant.

2. You must commence construction within twelve (12) months after the date of this Agreement. If you fail to do so we may, in our sole discretion, terminate this Agreement by written notice to you.

3. Once commenced, you will ensure that construction is diligently prosecuted to completion, suffering only delays caused by circumstances beyond your control. During the course of construction, we will have access to the Premises at all times, to inspect construction in progress and ensure compliance with our Requirements. You will cause your architects, engineers, contractors and subcontractors to cooperate fully with us for the purpose of permitting us to inspect the Restaurant. Without limiting the generality of the foregoing, you must supply us with such samples of construction or remodeling materials, test borings, corings, supplies, equipment and other materials and reports as we may request.

4. Neither Johnny Rockets nor any of our employees will act as your architect or agent. The duties of our construction representatives are limited solely to assuring us that you are complying with our Requirements on the Premises. You expressly agree not to rely upon any opinions expressed by any of our employees or agents regarding structural integrity, safety or construction procedures, building codes or ordinances or other matters properly within the responsibility of your architect. We assume no liability or responsibility for architectural or engineering judgments outside the scope of the duties stated above.

5. You will bear the entire cost of constructing and equipping the Restaurant, including, without limitation, the cost of all professional fees, licenses and permits, building contracts, fixtures, furnishings, equipment, signs, pylons, decor, landscaping, supplies and other items required by the Plans, your lease, all applicable laws, codes and ordinances and this Agreement. You agree to furnish us, within ninety (90) days after the Restaurant opens, a report in a form prescribed by us, certifying all such costs.

6. Except in the case of delay caused by us, if the Restaurant does not commence to open and serve the general public within sixteen (16) months after the date of this Agreement, we will have the right, in our sole discretion, to terminate this Agreement by written notice to you. If you have been unavoidably delayed by act of God, government restrictions, labor difficulties, inability to obtain building

materials or similar circumstances not within your control, you may submit to us a written request for a new Franchise on our then-current franchise agreement and with our then-current fees. Subject to your obligation to substantiate the cause(s) for delay, and to meet our then-current requirements for franchisee candidates, we will not unreasonably withhold our approval. Your Initial Franchise Fee under this Agreement will be credited toward the initial franchise fee due under the new franchise agreement.

E. Conditions for Opening.

1. Before you open the Restaurant to commence serving the general public, you must obtain our final written approval of your construction of the site improvements, building and landscaping, as appropriate, and installation of all furniture, signs and equipment. Our approval does not mean that we represent or warrant that the Restaurant was constructed in accordance with any architectural, engineering or legal standard(s) for design or workmanship and you agree that our approval of construction of the Restaurant will not impose any liability or obligation upon us. Our approval merely means that we are satisfied that the Restaurant substantially complies with our Requirements. If we request, your Architect must certify to us in writing that the Restaurant has been constructed or remodeled in strict compliance with the Approved Plans, as well as all applicable codes or other requirements of applicable law.

2. Your designated representatives must successfully complete our initial training programs at least thirty (30) days prior to the opening of the Restaurant. You will pay all costs and expenses incurred directly or indirectly in connection with such training, including travel, lodging and compensation, except that you will not be required to pay to us any tuition or participation charge. We will not provide any training in your Restaurant until you have received a certificate of occupancy or its equivalent from the appropriate public official.

3. You must also comply with all the conditions of subsection 1.A.1. of the Franchise Agreement before you open the Restaurant for business.

4. As soon as we have approved that your construction and equipping of the Restaurant are substantially complete and that all conditions required for opening the Restaurant have been met, you will promptly open the Restaurant to serve the general public.

5. You must provide all required documentation and pay applicable fees prior to opening.

F. Conflicts with Deadlines in Area Development Agreement. If you or an affiliate have also signed an Area Development Agreement with us, and if there are any conflicts between the deadlines set forth in this Agreement and in the Development Agreement for obtaining control of the Premises for the Restaurant, commencing construction of the Restaurant, or opening of the Restaurant, then the deadlines set forth in the Development Agreement shall control.

Initial:

Initial:

Franchisee:
Rockets:

Johnny

EXHIBIT E TO THE FRANCHISE AGREEMENT
SPECIAL TERMS AND CONDITIONS APPLICABLE TO
A FRANCHISEE OR AFFILIATED FRANCHISEES
THAT OPERATE MULTIPLE JOHNNY ROCKETS' RESTAURANTS

SUPERVISION OF MULTIPLE RESTAURANTS.

In addition to your obligations with respect to managing the Restaurant set forth in section 8.K of this Franchise Agreement, you further agree you will at all times comply with the standards and requirements we establish and from time to time revise, for the supervision of multiple Johnny Rockets restaurants, including, without limitation, employment of such multiple-unit supervisory personnel as shall be needed to ensure your consistent operational responsibility for all restaurants now or hereafter operated by you (and your affiliated franchisees, if applicable). Your Restaurant Managers must at all times be under the direct supervision of a multiple-unit supervisor. Your multiple-unit supervisor(s) must: (a) have such qualifications and experience as we will reasonably require, (b) must be literate and fluent in the English language, (c) must have satisfactorily completed our required training programs and (d) must devote their full time and effort exclusively to supervising the operation of Johnny Rockets restaurants.

Initial:

Initial:

Franchisee:

Johnny Rockets:

EXHIBIT F TO THE FRANCHISE AGREEMENT

ADDENDUM RELATING TO SBA FINANCING

THIS ADDENDUM ("Addendum") is made and entered into on _____, by and between **JOHNNY ROCKETS LICENSING, LLC** ("Franchisor"), located at 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for a loan ("Loan") from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

FRANCHISOR:

FRANCHISEE:

JOHNNY ROCKETS LICENSING, LLC

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

**EXHIBIT G TO THE FRANCHISE AGREEMENT
LEASE ADDENDUM**

THIS ADDENDUM, made and entered into by and between
_____ ("Landlord") and _____ ("Tenant").

WITNESSETH

WHEREAS, Landlord and Tenant entered into a Lease Agreement dated _____ (the "Lease") pertaining to the real property located at _____, attached hereto (the "Demised Premises") allowing for operation of a Johnny Rockets restaurant; and

WHEREAS, Landlord and Tenant desire to incorporate the following terms into the body of the Lease;

NOW, THEREFORE, in consideration of the covenants herein and therein, the parties hereto agree as follows:

1. Notwithstanding anything contained elsewhere in the Lease to the contrary, Tenant may use the Demised Premises for the purpose of conducting thereon the business of a Johnny Rockets retail food outlet and for incidental purposes related thereto.

2. Landlord hereby grants Tenant the unrestricted right during the initial term and any renewal term of the Lease to assign or sublet the Lease to Johnny Rockets Licensing, LLC ("Johnny Rockets"), upon Johnny Rockets prior written consent.

3. Landlord shall give Johnny Rockets a copy of any and all notices of default given to Tenant, as required to be given by Landlord to Tenant under the terms of the Lease, at the same time such notice is given to Tenant. Within seven (7) days after Tenant's right to cure expires, Johnny Rockets shall have the right, but not the obligations, to cure any such default.

4. Landlord hereby grants Johnny Rockets or its affiliated designee the right, but not the obligation, to assume all of Tenant's rights and obligations under the Lease, upon the occurrence of the following events or under the terms and conditions set forth herein:

(a) Upon default of Tenant under the Lease: If Tenant fails to timely cure Tenant's default within the period specified within the Lease agreement, and Johnny Rockets also declines its option under Section 3 of this Addendum to cure the default, then Landlord shall promptly provide Johnny Rockets with a written notice giving Johnny Rockets the option to assume Tenant's interest in the Lease (the "Offer"). Landlord shall attach a complete copy of the Lease and any amendments thereto to the Offer, and Johnny Rockets shall exercise the Offer, if at all, by written notice to Landlord and Tenant (the "Acceptance") within 15 business days after receipt of the Offer from Landlord.

(b) Upon Termination of the Franchise Agreement: If, during the term of the Lease or any extensions thereof, Johnny Rockets notifies Landlord, in writing, that Tenant's Franchise Agreement with Johnny Rockets has been terminated, then Landlord shall promptly give Johnny Rockets written notice specifying any defaults of the Tenant under the Lease, and shall offer Johnny Rockets the option to assume all of Tenant's interest in the Lease (the "Offer"). Landlord shall attach a complete copy of the Lease and any amendments thereto to the Offer, and Johnny Rockets shall exercise the Offer, if at all, by written notice to Landlord within 15 business days after receipt of the Offer from Landlord.

(c) Assignment to Franchisor: In the event Johnny Rockets or its affiliated designee elects to assume Tenant's interest in the Lease in accordance with the terms set forth in subparagraph 4a. or 4b. above, then Tenant shall promptly vacate the premises and Landlord shall promptly deliver possession of the same to Johnny Rockets provided that Johnny Rockets or its affiliated designee has executed and delivered an assignment and assumption agreement to Landlord assuming all of Tenant's rights and obligations under the Lease. Johnny Rockets or its affiliated designee thereafter shall begin the payment of rent and compliance with the Lease from the date of Johnny Rockets reopening for business until the expiration of the lease term or until further assignment of the Lease to another franchisee with Landlord's permission. Tenant agrees that Landlord is not liable, and shall indemnify and hold Landlord harmless, in the event that Landlord transfers interest in the Lease to Johnny Rockets in accordance with this Section 4.

5. Upon the expiration or earlier termination of the Lease for any reason, Tenant, shall, at its own expense, remove all Johnny Rockets trademarked and trade dress items from all buildings, including, but not limited to signs, fixtures and furnishings, and alter and paint all buildings and other improvements maintained pursuant to the Lease a design and color which is basically different from Johnny Rockets authorized building design and painting schedule.

If Tenant shall fail to make or cause to be made any such removal, alteration or repainting within ten (10) days after the expiration or earlier termination of the Lease, the Landlord shall give Johnny Rockets Licensing, LLC written notice of such failure and Johnny Rockets Licensing, LLC shall have the right to enter upon the Demised Premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of Tenant, which expense Tenant shall pay Johnny Rockets Licensing, LLC on demand.

6. The Landlord and Tenant agree that Johnny Rockets is a third party beneficiary of the Lease and this Addendum. Notwithstanding anything to the contrary elsewhere in the Lease or any addendum or amendment thereto, Landlord and Tenant agree that the terms and provisions set forth in the Addendum shall control and shall not be superseded, terminated or modified without the prior written consent of Johnny Rockets.

IN WITNESS WHEREOF, the parties have executed this Addendum on _____.

LANDLORD:

TENANT:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT C
AREA DEVELOPMENT AGREEMENT



JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT

with

[DEVELOPER'S NAME]

for

[DEVELOPMENT AREA]
[CITY, ST]

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made and entered into as of _____ (the "Effective Date") by and between Johnny Rockets Licensing, LLC, a Delaware limited liability company whose principal address is 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095 ("Franchisor"), and the Developer identified on the cover page hereof ("Developer"). We will sometimes refer to the Franchisor as "us," "we," "our," "Johnny Rockets," or "Franchisor," and may sometimes refer to Developer, as "you" "your," or "Developer."

BACKGROUND:

1. Through expenditure of considerable time, skill, effort and money, we have developed a system for establishing, operating and licensing distinctive, high quality restaurants serving the public under the name "Johnny Rockets®." The distinguishing features of the Johnny Rockets system include but are not limited to the "Johnny Rockets" name and trademarks; distinctive exterior and interior design, decor, color and identification schemes and furnishings established pursuant to our plans and specifications for construction, conversion, remodeling, decorating, equipment and layout; confidential food formulas, recipes, and specifications used in the preparation of food products (including ice cream and other frozen desert and related toppings recipes); and our distinctive business formats, construction plans, inspection and consultation programs, signs, equipment, layouts, methods, specifications, standards, confidential information, trade secrets, operating manuals and procedures, training programs and materials, and related materials, designs, advertising, publicity, and marketing programs, and other materials which we may modify from time to time (collectively, the "System").

2. We own, use, promote and license certain trade names, trademarks, service marks, logos, emblems, commercial symbols, trade dress and other indicia of origin, including colors, and applications related thereto, including but not limited to "Johnny Rockets®" (collectively, the "Marks"), and the confidential information, copyrights and business formats, procedures and standards which comprise the System. We may change, modify or improve the System to enhance the operations of Johnny Rockets restaurants. All improvements and additions you, we or anyone else, make to the System will become our sole property.

3. Developer desires, subject to the terms and conditions of this Agreement, to develop franchised Johnny Rockets restaurants (collectively "Franchised Restaurant(s)" or "Restaurants") within a certain geographic territory, and Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of developing the Franchised Restaurants in strict conformity with this Agreement and the Johnny Rockets Operations Manual ("Manual").

4. Developer desires to acquire the limited rights to develop Johnny Rockets Restaurants within the geographic area (the "Development Area"), and pursuant to the schedule (the "Development Schedule"), set forth in Exhibit 1 attached hereto and Franchisor desires to grant Developer such rights on the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of Franchisor's grant to Developer of the right to develop Franchised Restaurants in a limited geographic territory during the term of this Agreement, as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

A. Grant; Development Area and Term. Franchisor hereby grants to Developer, subject to the terms, conditions, provisions and limitations of this Agreement, the right to develop, within the Development Area set forth in Exhibit 1, the number of Johnny Rockets Franchised Restaurants set forth in Exhibit 1 during the term of this Agreement (the "Development Term"). The Development Term begins on the date that this Agreement is signed by Franchisor, and terminates on the earlier of _____, or the date of execution by the Franchisor of the last Franchise Agreement for the last Restaurant required to be developed pursuant to the Development Schedule. Developer has no right to renew or extend the Development Term. Developer shall locate each Franchised Restaurant in the Development Area at a specific location accepted by Franchisor.

B. Development Rights Only. This Agreement is not a franchise agreement, and does not give Developer the right to operate Johnny Rockets restaurants or a license to use the Johnny Rockets System or Marks. The operation of any Restaurant developed pursuant to this Agreement will be governed by an individual Franchise Agreement executed by Franchisor and Developer or Developer's affiliate pursuant to Section 5.D of this Agreement.

2. LIMITED EXCLUSIVITY OF RIGHTS

A. Limited Exclusivity. During the Development Term, Franchisor shall not, without the consent of Developer, grant options for or license others to establish or operate, nor will Franchisor or its affiliates establish or operate, any additional Johnny Rockets Restaurants in the Development Area. Except to the extent provided in this Section 2.A, the development and other rights granted to Developer hereunder are non-exclusive.

B. Reservation of Rights. Notwithstanding anything set forth herein to the contrary, Franchisor expressly reserves the exclusive, unrestricted right, directly and indirectly, through its employees, affiliates, representatives, developers, assigns, agents and others (which may include its affiliates and joint ventures in which it or its affiliates are participants), to:

(1) own, operate or license others to operate Johnny Rockets restaurants at any location outside the Development Area, including immediately adjacent to the Development Area;

(2) own, operate or license others to operate restaurants and other businesses which operate under names other than Johnny Rockets at any location, whether within or outside the Development Area, and regardless of the proximity to any Johnny Rockets Restaurant developed or under development or consideration by Developer;

(3) own, operate or license others to operate Johnny Rockets Restaurants at any site or location which is a non-traditional venue (a "Non-Traditional Venue"), even if located within the Development Area, and regardless of the proximity to any Johnny Rockets Restaurant developed or under development or consideration by Developer. Non-Traditional Venues shall include but not be limited to the following venues: (a) institutional settings, including airports, toll roads, travel plazas and other transportation facilities, colleges and universities, schools, hospitals, military facilities, governmental and municipal facilities, and office or in-plant food service facilities, (b) recreational settings, including, but not limited to, hotels, resorts, theme parks, fairs, stadiums, arenas, convention centers, casinos, public or private athletic fields, public parks and beaches, or any other venue where a temporary recreational event is open to the public, (c) American Indian reservations, and (d) any venue in which food service is or may be provided by a master concessionaire or contract food service provider, including a shopping mall food court; and

(4) manufacture and sell, or cause to be manufactured and sold, food, goods, wares, merchandise, services and/or products, whether or not authorized for sale at Johnny Rockets Restaurants, under the Marks or other trademarks, service marks, logos or commercial symbols, at wholesale or retail, through any distribution channel, including by means of mail order catalogs, direct mail advertising, the Internet, and other distribution methods, without geographic limitation, whether within or without the Development Area.

3. DEVELOPMENT FEE

Developer shall pay Franchisor, at the time this Agreement is signed, a development fee in the amount set forth in Exhibit 1 ("Development Fee"). Developer acknowledges and agrees that the Development Fee is fully earned by Franchisor when paid, and it is not refundable. However, Franchisor shall credit the Development Fee, pro rata, based upon the number of Restaurants to be built by Developer within the Development Area, toward the Initial Franchise Fee payable under any of the Franchise Agreements issued pursuant to this Agreement, if the Developer is in compliance with the Development Schedule. If for any reason this Agreement terminates before all or any portion of the Development Fee has been applied to the Initial Franchise Fees, the Franchisor will retain the unapplied portion of the Development Fee as compensation for its time, effort and foregone opportunities.

4. DEVELOPMENT SCHEDULE

A. Development Schedule.

(1) **Generally.** During the Development Term, Developer shall develop and open in the Development Area the number of Franchised Restaurants specified in the Development Schedule in Exhibit 1 (the "Development Schedule") by the deadlines noted in Exhibit 1. For each Franchised Restaurant to be developed during the Development Term, Developer must obtain Franchisor's acceptance of the site and control of the site by the Site Control Date listed in the Development Schedule, must begin construction of the Restaurant by the Construction Start Date listed in the Development Schedule, and must open the Restaurant by the Opening Date listed in the Development Schedule. To the

extent that there is any conflict between the deadlines set forth in the Development Schedule for a Restaurant and the deadlines set forth in an individual Franchise Agreement for the same Restaurant, the deadlines in the Development Schedule in this Agreement will control.

(2) **Time is of the Essence of this Agreement.** Developer's strict compliance with the Development Schedule is essential to this Agreement. If Developer fails to fulfill its obligations to develop and open any Franchised Restaurant when required by the Development Schedule or to obtain site control or start construction by the dates specified in the Development Schedule, such failure shall constitute a material, non-curable breach of this Agreement permitting Franchisor immediately to terminate this Agreement by giving notice of termination to Developer.

B. Development Fee Credited to Initial Franchise Fees. In addition to the Development Fee required by Section 3 herein, Developer shall pay Franchisor an initial franchise fee ("Initial Franchise Fee") for each Franchised Restaurant to be developed under this Agreement in the amount set forth in Exhibit 1. A portion of the Development Fee paid by Developer shall be credited toward payment of the Initial Franchise Fee in accordance with the terms of Section 3 and Exhibit 1 of this Agreement. The Initial Franchise Fee is payable upon execution of the Franchise Agreement for each Franchised Restaurant. Developer acknowledges and agrees that the Initial Franchise Fee is fully earned by Franchisor when paid, and it is not refundable.

C. Schedule Extensions. Franchisor may, in its sole discretion, grant Developer one or more extensions to the Development Schedule ("Development Schedule Extension"), provided that Developer shall pay Franchisor a fee in an amount not to exceed \$10,000 per month for each Restaurant for each Schedule Extension. Franchisor reserves the right to deny the granting of any Development Schedule Extension in its sole discretion.

D. Developer's Affiliated Entities. At Developer's request, Franchisor will permit the Franchise Agreement for any Franchised Restaurant in the Development Area to be executed by an entity formed by Developer to operate the Franchised Restaurant (an "Affiliated Entity"), provided all of the following conditions are met: (1) Developer or its control group owns at least 51% of the voting equity of a corporate or limited liability company Affiliated Entity, or all of the general partnership interests of a partnership Affiliated Entity; (2) the Affiliated Entity conducts no business other than the operation of the Franchised Restaurant; (3) Developer, its control group, and all holders of a legal or beneficial interest in Developer of 10% or more ("Principals") agree to guarantee and assume full and unconditional liability for, and agree to perform all obligations, covenants and agreements contained in the Franchise Agreement; and (4) all owners of voting equity possess a good moral character, as determined by Franchisor in its sole discretion, and Developer provides Franchisor all reasonably requested information and documentation to permit Franchisor to make such a determination.

5. DEVELOPMENT PROCEDURES

A. Developer's Responsibility. Developer assumes all cost, liability, responsibility and expense for locating, obtaining and developing sites for the Franchised Restaurants and constructing and equipping the Franchised Restaurants in accordance with Franchisor's

Requirements (as defined in Exhibit 2 hereto). The Franchisor has the right to determine if a site is an acceptable location. Developer shall not make any binding commitment to purchase or lease a site unless and until Franchisor has accepted the site in writing.

B. Site Acceptance Request. For each site upon which you propose to develop a Restaurant, Developer shall submit a written request on Franchisor's form ("Site Acceptance Request") containing such information as Franchisor may reasonably require, for each proposed site which Developer reasonably believes to conform to site selection criteria that Franchisor may establish from time to time for demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including restaurants operated or franchised by Franchisor or its affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises.

C. Site Acceptance.

(1) Within 30 days after receipt of Developer's Site Acceptance Request and any additional information that Franchisor may reasonably require, Franchisor shall advise Developer in writing whether it has accepted a particular site. If Franchisor does not respond within that time period, Franchisor shall be deemed to have denied acceptance of the site. Franchisor may reject any proposed site for any reason at its sole discretion, and you may not proceed at the rejected site but must try to locate an acceptable site. Franchisor's acceptance or rejection of a site may be subject to reasonable conditions as determined in its sole discretion. A site which Franchisor has accepted shall be referred to as an "Accepted Site."

(2) Our acceptance of the site selected by you is not a representation or a warranty that the Restaurant will be profitable or that you will achieve any particular level of sales at the Restaurant. It merely means that the Accepted Site has met certain minimum criteria we have established for identifying suitable sites for proposed restaurants in the region in which the site is located. You acknowledge that restaurant development is not a precise science and agree that our acceptance of the site shall not impose any liability or obligation upon us.

D. Execution of Franchise Agreement. Within 30 days after Franchisor accepts a proposed site for each Franchised Restaurant developed hereunder (but, if applicable, after expiration of the applicable waiting period following delivery of a franchise disclosure document), Developer or its Affiliated Entity shall execute a Franchise Agreement in Franchisor's then-current standard form, and pay the Initial Franchise Fee (less the pro rata credit of a portion of the Development Fee) for the Restaurant. If and when any Franchise Agreement contemplated by this Agreement is executed by the Franchisor and Developer or its Affiliated Entity, the Franchise Agreement shall supersede this Agreement and govern the relations between the parties with respect to that particular Restaurant.

E. Proof of Control of Accepted Site. By the "Site Under Control" deadline set forth in the Development Schedule, Developer shall submit to Franchisor satisfactory proof that

Developer: (1) owns the Accepted Site; or (2) has leased or subleased the Accepted Site for a term, including renewal terms, for at least the initial term of the Franchise Agreement; or (3) has entered into a written agreement to purchase or to lease or sublease the Accepted Site. For any leased site, Developer shall provide Franchisor with a copy of the lease or sublease (for a term, including renewal terms, for at least the initial term of the Franchise Agreement) for Franchisor's approval. The lease or sublease shall not contain any covenants or other obligations that would prevent Developer from performing its obligations under the Franchise Agreement. Unless waived in writing by Franchisor, any lease, sublease, letter of intent or lease memorandum for the Accepted Site shall contain a Lease Addendum in the form attached to this Agreement as Exhibit 4. After Franchisor approves the lease or sublease for the Accepted Site, Developer shall provide Franchisor with a copy of the fully-executed lease or sublease.

6. CONSTRUCTION OF THE FRANCHISED RESTAURANT

Upon Franchisor's written acceptance of an Accepted Site, the Developer or its Affiliated Entity is responsible for constructing the restaurant (if the Developer is not moving into an existing building space), building out and decorating the Restaurant, and installing furniture, fixtures, and equipment in the Restaurant, in accordance with the provisions and Requirements of Exhibit 2 attached hereto and the deadlines in the Development Schedule.

7. ORGANIZATION OF DEVELOPER, GUARANTY AND DESIGNATION OF CONTROL PERSON

A. Organization of Developer and Business Limits. Developer represents and warrants to Franchisor that Developer is duly organized or incorporated and validly existing under the laws of the state of its formation, and qualified to do business in the state in which the Development Area is located. Developer's certificate of incorporation, partnership agreement, operating agreement, or other similar organizational documents must provide that the Developer's only purpose will be the development, ownership, operation and maintenance of Johnny Rockets restaurants. In addition, your organizational documents must provide that you will not issue any additional ownership interests without our written consent; that no principal may transfer, assign or pledge any issued ownership interest in the Developer without our written consent; and that each certificate or document issued to evidence ownership interests will contain a legend disclosing that restriction. Prior to our execution of this Agreement, you must deliver to us complete and accurate copies of documents demonstrating compliance with the provisions of this Section 7.A. You agree to complete and execute, from time to time upon our request, a Certificate of Resolution in the form attached hereto as Exhibit 5-A if you are a corporation or Exhibit 5-B if you are a limited liability company.

B. Guaranty, and Designation of Control Person. If the Developer is a business entity, then each Principal of Developer must execute this Agreement to adopt and agree to the provisions of this Agreement that are applicable to them and must execute the Guaranty attached hereto as Exhibit 3, and Developer must designate a control person for the entity who must be a Principal of the entity and have full control over the Developer's day-to-day activities and operations.

8. RELATIONSHIP OF PARTIES; INDEMNIFICATION

A. Independent Contractor. It is the express intention of the parties hereto that the Developer is and shall be an independent contractor of Franchisor. The Developer is not and shall not be considered a legal representative or agent of the Franchisor. The Franchisor and the Developer have a business relationship based entirely on and defined by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship shall exist between Franchisor and Developer. The Franchisor has no right to, and will not, directly control or direct the operations of the Developer. Nothing in this Agreement is intended to grant either you or us the right to direct or supervise the daily affairs of the other. Any required standards and specifications in this Agreement (and those in the Franchisor's Operations Manual) exist to protect the Franchisor's interests in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Developer's business.

B. Indemnification. To the fullest extent permitted by law, Developer will indemnify, defend and hold harmless Franchisor, our parent, subsidiary or affiliated entities, and all of their respective shareholders, directors, partners, officers, employees, agents, representatives, successors and assignees (collectively, the "Indemnitees"), from and against any and all claims, losses, liabilities, demands, damages, causes of action, governmental inquiries and investigations, costs and expenses, including reasonable attorneys' and accountants' fees, which directly or indirectly arise out of, result from, or are connected with this Agreement, the development, condition, operation, use, or maintenance of the Restaurant or the premises on which the Restaurant is located, your negligence or willful misconduct, or any of your actions, errors, omissions, breaches or defaults under this Agreement; provided, that these obligations shall not apply to any claim or loss that is proven to have been caused solely by our negligence or willful misconduct.

(1) For purposes of this section, "claims" shall mean and include all obligations, actual and consequential damages, expenses, losses, costs, and other liabilities, and all attorneys' fees and other costs and expenses reasonably incurred in the defense of any claim against the Indemnitees, whether or not a lawsuit is filed.

(2) If the Indemnitees reasonably conclude that their interests are not being adequately represented by your counsel, the Indemnitees will have the right to employ their own attorneys to defend any claim against them in the manner they deem appropriate or desirable in their sole discretion, and your indemnification hereunder shall apply to and include the costs incurred in any such defense. Your obligation to indemnify the Indemnitees will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

9. CONFIDENTIAL INFORMATION; COVENANTS NOT TO COMPETE

A. Johnny Rockets Confidential Information. The Developer and its Principals acknowledge and agree that over the term of this Agreement they will receive Confidential Information (including trade secrets), as defined below, which the Franchisor has developed over time at great expense, including information regarding the System and regarding the development

and operation of Johnny Rockets restaurants. The Franchisee and its Principals further acknowledge that the Confidential Information is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time consuming and difficult; and that the Confidential Information provides a competitive advantage and will be valuable in the development and operation of the Restaurants, and access to it is a primary reason for entering into this Agreement and the Franchise Agreements.

Franchisor's "Confidential Information" means any information related to the System or to the development or operation of Johnny Rockets restaurants that we disclose to you that we designate as confidential; or that, by its nature, would reasonably be expected to be held in confidence or kept secret; including, without limitation, the following:

- (1) the Operations Manual and the standards, specifications, and methods of development and operation set forth therein;
- (2) non-public aspects of standards, methods, and procedures relating to the development and operation of Johnny Rockets restaurants, whether contained in the Operations Manual or otherwise;
- (3) recipes, menu analyses, and methods, procedures, and techniques for preparing ice cream, other frozen desserts, and other food products offered in Johnny Rockets restaurants;
- (4) knowledge of test programs, concepts and results relating to the planning, development and testing of the System and products and services offered in Johnny Rockets restaurants;
- (5) sources for purchase of equipment, food, beverages and other ingredients and materials used by Johnny Rockets Restaurants;
- (6) methods, techniques, standards, specifications, procedures, information, systems and knowledge of and experience in the development, licensing and operation of Johnny Rockets restaurants; and
- (7) trade secrets as defined by applicable federal and state law;
- (8) any and all other information or knowledge that we advise you, in writing, is confidential.

Confidential Information shall not include information, processes, or techniques which (i) are or become generally known in the restaurant industry or to the public, other than through disclosure in violation of this Agreement or any other breach of confidentiality owed (by anyone) to us; (ii) becomes known to you from a source other than us and other than by the breach of an obligation of confidentiality owed (by anyone) to us; or (iii) was independently developed by you without the use or benefit of our Confidential Information. You will have the burden of proving the applicability of the foregoing.

All information which comprises the Johnny Rockets System, including the information and data contained in the Operations Manual and in Johnny Rockets plans and specifications for the development and construction of Johnny Rockets restaurants, will be presumed to be Confidential Information of the Franchisor. All Confidential Information is the sole and exclusive property of the Franchisor.

B. Restrictions on Your Use of Our Confidential Information. You and your Principals will not acquire any interest in the Confidential Information, other than the right to use it in the development and operation of the Restaurants. The use of the Confidential Information in any other business, or the disclosure of the Confidential Information to any other person or entity, will constitute an unfair method of competition which could cause immediate irreparable harm to use and to other Johnny Rockets restaurant franchisees. Accordingly, you and your Principals agree that they:

- (1) will not use the Confidential Information in any other business or capacity;
- (2) will not communicate, divulge or disclose the Confidential Information to, or use the same for the benefit of any person, persons, partnership, association or corporation, other than in connection with the development or operation of the Restaurants;
- (3) will divulge the Confidential Information only to such of your employees as must have access to it in order to operate the franchised business, and on a need-to-know basis;
- (4) will not make unauthorized copies of any portion of the Confidential Information whether in written, audio, video or other reproducible form; and
- (5) will adopt and implement procedures, some of which we may prescribe, to prevent unauthorized use or disclosure of the Confidential Information, including requiring your employees who have access to the Confidential Information to execute confidentiality agreements in the form we approve or prescribe prior to or during their employment.

We acknowledge that the foregoing restrictions on your disclosure and use of Confidential Information do not apply to the disclosure of Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided that you have used your best efforts, and have afforded us the opportunity, to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

C. Covenants Not to Compete. You acknowledge and agree that we have invested a substantial amount of time and money in developing the System, the Marks, and the Confidential Information; that we, you, and our other developers and franchisees have a legitimate business interest in protecting our System and our Confidential Information, including our trade secrets, against unauthorized use or disclosure; and that we would be unable to encourage a free exchange of ideas and information among us and our franchisees and developers, if franchisees and developers were permitted to hold interests in or perform services for competing businesses. Accordingly, you and your Principals acknowledge and agree that the following restrictions are reasonably required in order to protect our and our franchisees' legitimate business interests, including by protecting our Confidential Information and other elements of the System from unauthorized appropriation.

Therefore, except for the development and operation of your Johnny Rockets Restaurants under licenses we grant you, you and your Principals agree that (i) during the term of this Agreement, including any extension or renewal hereof, and (ii) for a period of two (2) years after

expiration, termination, or approved transfer of this Agreement, regardless of the cause of any termination (hereinafter called the "Post-Term Period"); neither you nor any of your Principals will own, maintain or otherwise have any direct or indirect or beneficial interest in, or perform services as an officer, director, manager, employee or consultant or otherwise for, any business which owns, operates, licenses, franchises or develops one or more restaurants or food service establishments for which combined sales of hamburgers, fries, chili, shakes and malts make up more than ten percent (10%) of total sales for such business (which shall include, but not be limited to, mid-scale priced family style restaurants such as Denny's, Culver's, Freddy's Frozen Custard, Steak 'n Shake, Bob Evans, Cracker Barrel, IHOP, Village Inn, Waffle House, Applebee's, Chili's, and Red Robin).

With respect to the Post Term Period, this restriction will apply only to any such competing restaurants and food service establishments located within a radius of fifteen (15) miles of the Restaurant or of any other Johnny Rockets restaurant operated by us or any other of our franchisees or affiliates at the time of termination or expiration of the Agreement.

For purposes hereof, an indirect interest will be presumed to exist if such interest is that of the spouse or of a parent or child of a Principal, in addition to other forms of indirect or beneficial interests. Such restrictions will not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding.

10. TRANSFER

A. By Johnny Rockets. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests in this Agreement. You agree to execute any forms that we may reasonably request to effectuate any such transfer or assignment by us.

B. By Developer. **You may not transfer your rights under this Agreement without our approval.** The rights and duties created by this Agreement are personal to you. We have granted such rights to you in reliance upon the individual and collective character, skill, aptitude, attitude, and business ability of the persons who will be engaged in the ownership and management of the Restaurant, your financial capacity and the representations and warranties made to us in your application, and the representations, warranties and covenants contained in this Agreement. Accordingly, neither this Agreement nor any rights granted hereunder (or any interest therein), nor any part or all of the ownership of Developer (if an entity), may be transferred, in whole or in part, directly or indirectly, without our prior written approval, and any attempted transfer without our prior written approval will constitute a breach of this Agreement and convey no rights to or interests in this Agreement. As used in this Agreement the term "Transfer" means and includes the voluntary, involuntary, direct or indirect assignment, sale, gift, pledge, grant of security interest or other transfer by you of any interest in: (i) this Agreement or any related agreement between you and us; (ii) the Developer; or (iii) any of the Restaurants.

This Section 10.B. does not apply to an interest in any of the Restaurants conditionally transferred to a bona fide lender as collateral security for a loan to you or to any financing or refinancing structured as a sale-leaseback, provided that upon the sale of the Restaurant, it is

simultaneously leased back pursuant to a lease agreement which is subject to our rights under this Agreement. At no time, however, may a security interest be given in this Agreement without our written consent.

C. Conditions For Transfer. We will have sole discretion in whether to approve any transfer. Any proposed transferee and its owners (if the proposed transferee is an entity) must meet our then-current standards for Johnny Rockets area developers. In addition, prior to the time of any approved transfer, we may require that the conditions specified below are met:

(1) You must pay and satisfy (i) all accrued money obligations to us, (ii) all amounts owed to our parent, subsidiaries and affiliates, and (iii) your obligations to any third party, if any;

(2) You must cure to our satisfaction any and all defaults under this Agreement or any other agreement between you and us or your affiliates;

(3) The transferee and each partner, shareholder or member of the transferee, as the case may be, must be a United States citizen or lawful resident alien, of good moral character and reputation, must be creditworthy and must have sufficient business experience, aptitude and financial resources to operate and develop the Restaurants. Such qualifications include, without limitation, literacy and fluency in the English language sufficient, in our opinion, to communicate with employees, customers, and suppliers and to satisfactorily complete our training program, and such other tests and interviews as we reasonably require;

(4) The transferee, including, where appropriate, all shareholders, members and partners of the transferee, must jointly and severally execute, on our then-current forms, a development agreement, guarantees, and all other standard ancillary agreements, including, but not limited to, an agreement, if applicable, that in the event the transferee will at any time be unable to make payments both to Johnny Rockets and to you for the purchase of the rights in the Agreement, payments to Johnny Rockets, its affiliates and/or subsidiaries will have priority;

(5) You and/or the transferee must pay us our then-current transfer fee for transfer of the development agreement, which is currently \$10,000;

(6) You, and all of your partners, members, shareholders, officers and directors and any other owners must execute a general release in a form satisfactory to us, of any and all claims against us, our subsidiaries and affiliates, and our and their officers, directors, partners, employees and agents;

(7) We must approve the material terms and conditions of such transfer, including, without limitation, our determination that the price and terms of payment are not so burdensome as to adversely affect the transferee's performance under the Agreement. This requirement creates no liability on our part to either you or your transferee, if we approve the transfer and the transferee later experiences financial difficulties;

(8) The transferee entity may not be a limited partnership, trust or other entity we do not specifically permit;

(9) You and your transferring owners must execute a non-competition covenant in favor of us and the transferee, containing the terms set forth in paragraph 9.C.; and

(10) You and your owners must guarantee the transferee's financial obligations to us in its development agreement and for the longer of two (2) years from the date of transfer or until any seller note is paid in full.

In addition, we reserve the right to promulgate, communicate and enforce such additional reasonable requirements as we may hereafter establish.

D. Your Transfer to a Wholly-Owned Entity.

If you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a transfer to an entity which conducts no business other than developing or operating the Restaurants, which is actually managed by you and in which you maintain management control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding securities, provided that you guarantee, in accordance with our then current form, the performance of such transferee's obligations under this Agreement. Transfers of interests in such entity will be subject to the other provisions of this Section 10.

E. Your Death, Disability, or Incapacity.

In the event of the death, permanent disability or mental incapacity of you or any of your Principals as defined in Section 9.A, the legal representative of the deceased, disabled or incapacitated party, as the case may be, together with all surviving partners, members or shareholders, if any, must, within six (6) months of such death, disability or mental incapacity, jointly apply in writing to transfer this Agreement or the interest of the affected party in this Agreement, to such person or persons as the legal representative may specify and who meets our then-current qualifications for franchisees and whom we approve.

If the legal representative and all surviving Principals, if any, do not propose a transferee acceptable to us under the standards set forth in this Agreement within the period set forth above, or if no transfer of the interest will have been accomplished consistent with the provisions of this Section 10 within one (1) year from the date of death, disability or mental incapacity, this Agreement will terminate forthwith and all rights licensed hereunder will automatically revert to us.

F. Effect of Our Consent to Your Transfer.

Our consent to a transfer of this Agreement and/or an interest in the Developer entity will not constitute a waiver of any claims we may have against you (or your owners if you are an entity), nor will it be deemed a waiver of our right to demand exact compliance with any of the

terms or conditions of this Agreement by the transferee. Upon transfer, any portions of the Development Fee that have not yet been applied as a credit towards initial franchise fees for the individual Restaurants you have developed will continue to be held by us, and will be credited towards the initial franchise fees for additional Restaurants to be developed by the transferee under the assigned Agreement.

11. DEFAULT; TERMINATION

A. This Agreement shall terminate and expire without notice at the time and date set forth in Section 1.A. hereof, unless earlier terminated as set forth in Section 11.B below.

B. Grounds for Early Termination. Franchisor may terminate this Agreement, and the rights granted by this Agreement, upon notice to Developer without an opportunity to cure upon the occurrence of any of the following events:

(1) Developer fails to comply with the Development Schedule for any reason, including failing to: (a) obtain Franchisor's acceptance of a site and control of a site by the applicable Site Control Date listed in Exhibit 1; (b) start construction of a Restaurant by the Construction Start Date listed in Exhibit 1; or (c) have open and operating the number of Johnny Rockets Restaurants required by the dates specified in the Development Schedule. A default under this Section 11.A.1 shall not constitute a default under any existing Franchise Agreement between Franchisor and Developer or its Affiliated Entities.

(2) Developer is insolvent or is unable to pay its creditors (including Franchisor); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within 60 days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within 60 days of the appointment.

(3) Execution is levied against Developer's business or property; suit to foreclose any lien or mortgage against the premises or equipment of any Franchised Restaurant developed hereunder is instituted against Developer and is not dismissed within 60 days; or the real or personal property of any Franchised Restaurant developed under this Agreement shall be sold after levy thereupon by any governmental authority.

(4) There is a material breach by Developer of any obligation under Section 9 of this Agreement.

(5) Any Transfer that requires Franchisor's prior approval occurs or purports to occur (or is attempted) without Developer having obtained that prior approval.

(6) Franchisor discovers that Developer made a material misrepresentation or omitted a material fact in the information that was furnished to Franchisor in connection with its decision to enter into this Agreement.

(7) Developer knowingly falsifies any report required to be furnished Franchisor or makes any material misrepresentation in its dealings with Franchisor or fails to disclose any material facts to Franchisor.

(8) Developer, its control person, or any Principal is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor, its affiliates or the System.

(9) Developer, any Affiliated Entity, Developer's control person, or any Principal remains in default beyond the applicable cure period: (a) under any other agreement (including any Franchise Agreement) with Franchisor or its affiliates (provided that, if the default is not by Developer, Franchisor provides to Developer a notice of the default and a 30-day period to cure the default); (b) under any real estate lease, equipment lease, or financing instrument relating to a Franchised Restaurant; or (c) under any contract with any vendor or supplier to a Franchised Restaurant; provided that if the default is not by Developer, Developer is given notice of the default and 30 days to cure said default.

(10) Developer fails or refuses to comply with any other provision of this Agreement or any requirement of the System and does not correct the failure or refusal within 30 days after receiving written notice of default. If the default cannot be corrected within 30 days, Developer shall have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that Developer begins taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursues those actions to completion. Developer will be in default under this sub-section for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith. If Developer has received two or more notices of default pursuant to this Section 11.B.10 within the previous 12 months, Franchisor shall be entitled to send Developer a notice of termination upon Developer's next default under this Section 11.B.10 in that 12 month period without providing Developer an opportunity to remedy that default.

C. Action Other Than Termination. If Franchisor has the right to terminate this Agreement under Section 11.B., then Franchisor may alternatively, at its sole discretion, take any one or more of the following actions:

(1) reduce the number of Johnny Rockets Franchised Restaurants which Developer is required to establish pursuant to Exhibit 1 of this Agreement;

(2) reduce the size of the Development Area;

(3) accelerate the Development Schedule;

(4) terminate Developer's exclusive right to develop in the Development Area by permitting other developers or franchisees to develop or franchise Johnny Rockets restaurants in the Development Area;

(5) withhold evaluation or acceptance of site proposal packages and refuse to permit the opening of any Franchised Restaurant then under construction or not otherwise not ready to commence operations, pending satisfactory cure of any such default; and

(6) pursue any other remedies available under this Agreement (including termination) or at law or in equity.

D. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

E. Obligations upon Termination or Expiration. Upon termination or expiration of this Agreement:

(1) Developer shall have no further right to develop or open Franchised Restaurants in the Development Area. Termination or expiration of this Agreement shall not affect Developer's right to continue to operate Franchised Restaurants that were open and operating pursuant to a Franchise Agreement as of the date this Agreement terminated or expired;

(2) The rights granted to Developer in the Development Area shall terminate and Franchisor shall have the right to develop, operate or license others to develop or operate Johnny Rockets restaurants anywhere in the Development Area;

(3) Developer promptly shall return to Franchisor the Manual, any copies of the Manual and all other materials and information furnished by Franchisor or its affiliates, except materials and information furnished with respect to a Franchised Restaurant which is open and operating pursuant to an effective Franchise Agreement;

(4) Developer and all persons and entities subject to the covenants contained in Section 9.C. shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants;

(5) Developer immediately shall pay to Franchisor and its affiliates all sums due and owing to Franchisor or its affiliates pursuant to this Agreement, including any damages resulting from any early termination due to Developer's default;

(6) Franchisor shall retain the Development Fee; and

(7) Developer shall not, except with respect to a Franchised Restaurant which is then open and operating pursuant to an effective Franchise Agreement: (a) operate or

do business under any name or in any manner that might tend to give the public the impression that Developer is connected in any way with Franchisor or its affiliates or has any right to use the System or the Marks; (b) make, use or avail itself of any of the materials or information furnished or disclosed by Franchisor or its affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or (c) assist anyone not licensed by Franchisor or its affiliates to construct or equip a foodservice outlet substantially similar to a Johnny Rockets restaurant.

12. ENFORCEMENT

A. Governing Law. We may grant franchises and development rights throughout the United States on terms and conditions similar to those set forth in this Agreement, and it is of mutual benefit to us and all of our franchisees that the terms and conditions be uniformly interpreted. Therefore, unless the applicable law in the state in which you have your principal place of business requires otherwise, this Agreement will be governed by and interpreted in accordance with Massachusetts law, without regard to any conflict of law rules.

B. Jurisdiction and Venue. Unless the applicable law in the state in which you have your principal place of business or in which the Development Area is located requires otherwise, the parties also specifically and deliberately agree that all litigation of controversies, claims or disputes between us and you (or your Principals) which arise out of or relate to this Agreement or any other agreement between us or our affiliates and you or your affiliates, or the relationship between you and us, may be brought only in a state or federal court of competent jurisdiction in the Commonwealth of Massachusetts. You and your Principals irrevocably submit to the jurisdiction and venue of those courts and waive any objection to the jurisdiction and venue of those courts.

C. Injunctive Relief. If you or any of your Principals breach any provisions of this Agreement regarding the System, the Marks, Confidential Information or trade secrets, restrictive covenants, or limits on competition, or engage in other conduct that could materially damage the goodwill associated with the Marks, Johnny Rockets restaurants, or the System, then you and your Principals agree that we will have no adequate remedy at law. Therefore, you and your Principals expressly agree that, in addition to all other available remedies, we will be entitled to commence a legal action and obtain an injunction or other form of equitable relief or specific performance (including a preliminary injunction or temporary restraining order) to prevent or eliminate the occurrence or continuation of any actual or threatened breach, default, violation, or conduct. We will not be required to post a bond to obtain preliminary or temporary injunctive relief. The only remedy, if an injunction is wrongfully entered against you or your Principals, will be the dissolution of that injunction, and you and your Principals do not have any right to recover damages for wrongful entry of an injunction.

D. Attorney's Fees. In any proceeding to enforce or interpret this Agreement or rights and obligations between the parties arising out of or relating to the Agreement or development of the Restaurant, or appeal thereof, the prevailing party may recover its costs and expenses, including but not limited to reasonable attorneys' fees, expert witness fees, costs of investigation, court costs, other litigation expenses, and reasonable travel expenses. In any proceeding involving more than

one allegation or issue; where neither party prevails on all allegations or issues, the court may apportion fees, costs and expenses between the parties.

E. Waivers and Limitations of Actions. EACH OF THE PARTIES AND YOUR PRINCIPALS HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREES AS FOLLOWS:

(1) EACH PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY; AND

(2) EACH PARTY EXPRESSLY WAIVES ANY AND ALL CLAIMS FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, EXCEPT THAT JOHNNY ROCKETS MAY AT ANY TIME BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW; AND

(3) EACH PARTY EXPRESSLY AGREES THAT IT WILL NOT INITIATE OR PARTICIPATE IN ANY CLASS ACTION OR OTHER GROUP, COLLECTIVE, CONSOLIDATED, JOINT OR ASSOCIATIONAL CLAIM, OR ANY ACTION BROUGHT IN A REPRESENTATIVE CAPACITY, AGAINST ANY OTHER PARTY HERETO; AND

(4) Each party expressly agrees that no party may recover damages for economic loss attributable to negligent acts or omissions, except for conduct which is determined to constitute gross negligence or an intentional wrong; and

(5) Each party expressly agrees that in the event of any final adjudication or applicable enactment of law that punitive, multiple and/or exemplary damages may not be waived by the parties, no recovery by any party in any forum will ever exceed two (2) times actual damages, except for an award of multiple damages to Johnny Rockets for willful trademark infringement, as provided by law; and

(6) Each party expressly agrees that any and all claims and actions arising out of or relating to this Agreement, or the relationship of Johnny Rockets and Developer, or Developer's development of the Restaurants, brought in any forum by any party hereto against another, must be commenced within two (2) years after the discovery of the facts giving rise to such claim or action, or such claim or action will be barred.

The foregoing provisions shall govern all disputes.

F. Rights of Parties are Cumulative. All rights and remedies of the parties under this Agreement are cumulative, and no exercise or enforcement by either party of any right or remedy will preclude the exercise or enforcement of any other right or remedy under this Agreement or under the law or in equity, except as otherwise set forth in this Agreement.

13. MISCELLANEOUS TERMS.

A. Entire Agreement; Interpretation.

(1) This Agreement, including the background recitals and exhibits hereto, constitutes the entire agreement between you and us related to the subject matter of this Agreement, except for any Franchise Agreements that may be executed for Franchised Restaurants that you develop pursuant to this Agreement. In the event of a conflict between this Agreement and a Franchise Agreement, the provisions of the Franchise Agreement will control.

(2) This Agreement fully replaces and supercedes all prior agreements, representations, and understandings between you and us, either oral or written, relating to the subject matter of this Agreement, and no oral or written representations, inducements, promises, agreements, arrangements or undertakings have been made or are relied upon by the parties, other than as set forth herein or in our Franchise Disclosure Document. Nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

(3) The provisions of this Agreement shall be interpreted to provide that you at all times develop and construct the Restaurant in conformity with the System, through strict adherence to our mandatory standards, specifications, and policies as they now exist and as they may be modified by the Franchisor from time to time.

B. Amendment and Binding Effect. This Agreement may be amended or modified only by a writing signed by you and us. However, we may modify the Manual and any of our other standards that govern the development and construction of Johnny Rockets restaurants at any time without your consent, and you will comply with all mandatory provisions of the Manual and all such revised standards. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. This Agreement is binding upon the parties to it and their respective executors, administrators, heirs, permitted assigns, and successors in interest.

C. Waiver of Obligations. You and we may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in the good faith exercise of our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice. You and we will not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand strict compliance with every term, condition, and covenant herein, or to declare any breach thereof to be a default and to terminate the License prior to the expiration of its term), by virtue of any (i) custom or practice of the parties at variance with the terms hereof; (ii) any failure, refusal, or neglect by you or us to exercise any right under this Agreement; or (iii) any failure, refusal, or neglect by you or us to insist upon exact compliance by the other with its obligations hereunder.

D. Severability and Substitution of Valid Provisions. If any provision of this Agreement is invalid or unenforceable as written under applicable law, it shall be modified or limited as necessary to make the provision valid and enforceable to the greatest extent possible under applicable law. If any provision of this Agreement is finally declared by a court to be invalid, or unenforceable, the remaining provisions shall remain in full force as if the Agreement had never contained the invalid provision. Provided, that if any part of this Agreement relating to the payment of fees to the us, or the preservation of any of our Marks, trade names, Confidential Information, or trade secrets is declared invalid or unenforceable, then we shall have the right to immediately terminate this Agreement and to recover all our Marks and other intellectual property, upon written notice to you.

E. Force Majeure. Neither you nor we will be liable for loss or damage or deemed to be in breach of this Agreement if a failure to perform particular obligations results from: (i) transportation shortages, inadequate supply or unavailability from the manufacturers or suppliers of equipment, merchandise, supplies, labor, material, or energy, or the voluntary surrender of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof; (ii) acts of God; (iii) fires, other natural disasters, strikes, embargoes, war or riot; or (iv) any other similar event or cause beyond the foreseeable and reasonable control of the party.

Any delay resulting from any of such causes will extend the time for performance or excuse performance, in whole or in part, as may be reasonable, except that such causes will not excuse payments of amounts owed at the time of such occurrence or payment of any amounts due thereafter.

F. Binding Effect. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest; provided that it shall be binding on any of your transferees only upon our approval as provided for in Section 10.

G. Notices and Payments. All notices permitted or required under this Agreement must be in writing, addressed to the party to be notified at the address provided on the cover page or first page of this Agreement or its most current principal business address of which the notifying party has been notified in writing, and may be delivered in the following manners and deemed delivered in the following times: (i) at the time delivered by hand, (ii) one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, (iii) the day of transmission by email, if a copy is also sent the same day by an overnight commercial courier service; or (iv) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. and All payments and reports required by this Agreement will be directed to Johnny Rockets at the address notified to the Franchisee from time to time, or to such other persons and places as Johnny Rockets may direct from time to time. Any required payment or report not actually received by Johnny Rockets during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

H. Interpretation.

(1) Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

(2) Except where this Agreement expressly obligates Johnny Rockets to reasonably approve or not unreasonably withhold its approval of any action or request by the Developer, Johnny Rockets has the absolute right to refuse any request by the Developer or to withhold its approval of any action or omission by the Developer.

(3) The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs.

(4) The term "family member" as used herein refers to parents, spouses, offspring and siblings, and the spouses of parents and siblings.

(5) The term "affiliate" as used herein means any person or entity that directly or indirectly owns or controls, or is owned or controlled by, or is under common ownership or control with, another person or entity.

(6) References to a "controlling interest" "control group" in the Developer will mean fifty percent (50%) or more of the voting control of the Developer or such lesser percentage that may have the power to control the management and affairs of the Restaurant or the Developer.

(7) This Agreement may be executed in counterparts, each of which will be deemed an original.

(8) Time is of the essence of this Agreement.

14. INCORPORATION OF RECITALS, WARRANTIES AND REPRESENTATIONS BY DEVELOPER

Developer hereby warrants, represents, covenants, and acknowledges to Franchisor that:

A. Developer has had no part in the creation or development of the System, the Marks, the Manuals or any other Confidential Information provided by Franchisor;

B. Developer is entering into this Agreement after having made an independent investigation of Franchisor's operations, and not upon any representation as to the sales, profits, or earnings which Developer might realize;

C. Franchisor has not made any representations or promises to Developer which are not contained in this Agreement or the Disclosure Document provided to Developer by Franchisor, and Developer has not relied upon, nor has Franchisor made, any warranties, expressed or implied, as to the potential success of the business contemplated herein; and Developer understands that the System and Manuals are continually evolving; and that

Franchisor's obligations and Developer's rights pursuant to this Agreement are expressly conditioned upon the truth of the warranties and representations set forth above at the time of execution of this Agreement and their continued truth throughout the Term of this Agreement.

[SIGNATURES ON THE NEXT PAGE]

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement as of the Agreement Date.

JOHNNY ROCKETS LICENSING, LLC,
a Delaware limited liability company

By: _____
Name: _____
Its: _____

DEVELOPER

Entity: _____
organized under the laws of the state of _____

By: _____
Name: _____
Its: _____

Individually:

By: _____
Name: _____
By: _____
Name: _____

IN CONSIDERATION OF the execution of the Area Development Agreement by Franchisor and based on the benefit received from the Area Development Agreement by the undersigned, each of the following persons who each owns a 10% or more direct or indirect ownership interest in the Developer hereby adopts and agrees to comply with the terms and provisions of Sections 8.B, 9, 11.D, and 12 of the Area Development Agreement.

PRINCIPAL(S):

[NAME OF PRINCIPAL]

Date Signed: _____

[NAME OF PRINCIPAL]

Date Signed: _____

[NAME OF PRINCIPAL]

Date Signed: _____

EXHIBIT 1
DEVELOPMENT AREA AND SCHEDULE

1. Development Area (Section 1).

The Development Area shall be:

Any political boundaries contained in the description of the Development Area shall be considered fixed as of the date of this Agreement and shall not change notwithstanding a political reorganization or a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

2. Development Fee (Section 3). The Development Fee paid by Developer is \$ _____, which is \$10,000 for each Restaurant to be developed pursuant to this Agreement and set forth in this Schedule. This Development Fee is fully earned by us in consideration of our execution of the Development Agreement and is non-refundable. Based upon the number of Restaurants described in the Development Schedule, we will apply the Development Fee paid for each Restaurant against the Initial Franchise Fees payable under any Franchise Agreements entered into with you for that Restaurant pursuant to the Development Agreement. To earn that credit, the specified Restaurants must be constructed and opened in accordance with the Development Schedule. If you fail to timely complete the development of new restaurants according to the Development Schedule, you could lose the Development Fee and all rights to develop Johnny Rockets restaurants.

3. Initial Franchise Fee (Section 4B). The Initial Franchise Fees to be paid by Developer is \$25,000 per Johnny Rockets restaurant.

4. Development Schedule (Section 4A). Developer shall develop and continue to operate a minimum of _____ Johnny Rockets Franchised Restaurants in the Development Area, in accordance with the following schedule:

Site Under Control Date	Construction Start Date	Opening Date	Cumulative Number of Franchised Restaurants To Be Open And Operating On The Opening Date
TBD minus 10 months	TBD minus 4 months	TBD	1
			2
			3
			4
			5

			6
--	--	--	---

5. **Developer's Notice Address, and Facsimile Number (Section 13.G).**

6. **Developer's E-mail Address:** _____

EXHIBIT 2

TERMS AND CONDITIONS APPLICABLE TO DEVELOPER'S CONSTRUCTION AND OPENING OF NEW RESTAURANTS

You intend to develop new Johnny Rockets® restaurants (each a "Restaurant") in the Development Area and pursuant to the Development Schedule set forth in Exhibit 1 to this Agreement. In order to achieve reasonable uniformity in the System, the Restaurant must be constructed (or remodeled for conversion, as the case may be), furnished and equipped in strict compliance with our standards, specifications, procedures and requirements, including our generic, prototypical plans and specifications for the building design and configuration of Johnny Rockets restaurants (collectively, our "Requirements"). Accordingly, you acknowledge and agree that your right to develop and commence operations of Johnny Rockets Restaurants under the terms of this Agreement is subject to the condition that you will strictly comply with all of our Requirements and procedures, as set forth in both this Agreement and any Franchise Agreement for each Restaurant. You further agree not to open the Restaurant for business until we authorize you in writing to do so. In consideration of our conditional grant of these rights to you, you hereby agree as follows:

1. **Net Worth and Liquidity Requirements.** You agree you will maintain and preserve your Net Worth, (defined as the excess of your assets, excluding homes, furnishings and automobiles and any intangibles such as goodwill, over your liabilities) at or above the Net Worth you represented to us in the financial statements you submitted to us in connection with your approval as developer.

2. **Design Approval.** We will furnish you a set of our prototypical plans and specifications (the "Johnny Rockets Plans"). The Johnny Rockets Plans are and at all times shall remain our exclusive property. You must employ a licensed architect (your "Architect") to develop a complete set of plans and specifications for each Restaurant in accordance with our Requirements and the laws, codes and regulations of the jurisdiction in which the Premises are located (your "Proposed Plans"). You must submit your Proposed Plans to us for our review and written approval. If we require changes, you must revise your Proposed Plans and resubmit them to us. You must not commence construction until after your Proposed Plans have received our written approval (the "Approved Plans").

NEITHER YOU NOR YOUR ARCHITECT SHALL OBTAIN ANY RIGHTS OF OWNERSHIP, USE OR REUSE IN OUR PROTOTYPICAL PLANS AND SPECIFICATIONS OR IN ANY AND ALL OF YOUR ARCHITECT'S ADAPTATIONS THEREOF, EXCEPT AS IS NECESSARY TO CONSTRUCT THE RESTAURANT.

3. **No Modifications.** Once you have Approved Plans, there can be no further material change in the site plan, building plans, specifications or zoning approvals without our approval. Without limiting the generality of the foregoing, you must notify us of all modifications required to be made by any governmental agency or other third party, and obtain our prior written approval. We may disapprove any material modification that results in non-compliance with our

Requirements. If the party requiring the modification refuses to compromise the change in order to comply with our Requirements, we may then terminate this Agreement by written notice to you.

4. **Permits; Compliance with Laws.**

A. You must obtain all necessary licenses and permits from all applicable governmental agencies that are needed for completing construction of each Restaurant, including without limitation those required by applicable zoning, access, utility, sign, building, health, safety, environmental, and other laws, ordinances, rules, regulations and requirements.

B. You must comply with all applicable laws, ordinances, rules, regulations, and requirements of governmental agencies relating to the development and construction of each Restaurant. Without limiting the foregoing, it is your responsibility to obtain satisfactory evidence and/or assurance that the Restaurant premises and all structures thereon are free from environmental contamination and in compliance with the requirements of the Americans With Disabilities Act ("ADA"). We assume no responsibility for evaluation of the soil or subsoil on the premises for hazardous substances or unstable conditions; inspection of any structure on the premises for asbestos or other hazardous materials or compliance with the ADA.

5. **Construction.** You must commence construction of each Restaurant by the Construction Start Date in the Development Schedule. If you fail to do so, we may, in our sole discretion, terminate this Agreement by written notice to you. Commencement of construction means, in the case of new construction, excavation for footings, or, in the case of remodeling, demolition.

A. Before construction commences, you and your contractor(s) must obtain and maintain a comprehensive general liability insurance policy that conforms to subsection 8.L. of our Franchise Agreements. Coverage under such insurance shall include operations, premises liability, independent contractor's coverage, contractual liability and automobile liability (owned and non-owned). Prior to commencing construction, you must furnish us with an insurance certificate evidencing the foregoing policy and that all contractors have procured worker's compensation insurance covering all persons employed in construction of the Restaurant.

B. Once commenced, you will ensure that construction is diligently prosecuted to completion, suffering only delays caused by circumstances beyond your control. During the course of construction, we will have access to the Restaurant premises at all times, to inspect construction in progress and ensure compliance with our Requirements. You will cause your architects, engineers, contractors and subcontractors to cooperate fully with us for the purpose of permitting us to inspect the Restaurant. Without limiting the generality of the foregoing, you must supply us with such samples of construction or remodeling materials, test borings, corings, supplies, equipment and other materials and reports as we may request.

C. Neither Johnny Rockets nor any of our employees will act as your architect or agent. The duties of our construction representatives are limited solely to assuring us

that you are complying with our Requirements on the premises. You expressly agree not to rely upon any opinions expressed by any of our employees or agents regarding structural integrity, safety or construction procedures, building codes or ordinances or other matters properly within the responsibility of your architect. We assume no liability or responsibility for architectural or engineering judgments outside the scope of the duties stated above.

D. You will bear the entire cost of constructing and equipping each Restaurant, including, without limitation, the cost of all professional fees, licenses and permits, building contracts, fixtures, furnishings, equipment, signs, pylons, decor, landscaping, supplies and other items required by the Plans, your lease, all applicable laws, codes and ordinances and this Agreement. You agree to furnish us, within ninety (90) days after the Restaurant opens, a report in a form prescribed by us, certifying all such costs.

E. Except in the case of delay caused by us, if each Restaurant does not commence to open and serve the general public by the Opening Date set forth in the Development Schedule, we will have the right, in our sole discretion, to terminate this Agreement by written notice to you.

9. **Conditions for Opening.**

A. Before you open each Restaurant to commence serving the general public, you must obtain our final written approval of your construction of the site improvements, building and landscaping, as appropriate, and installation of all furniture, signs and equipment. Our approval does not mean that we represent or warrant that the Restaurant was constructed in accordance with any architectural, engineering or legal standard(s) for design or workmanship and you agree that our approval of construction of the Restaurant will not impose any liability or obligation upon us. Our approval merely means that we are satisfied that the Restaurant substantially complies with our Requirements. If we request, your Architect must certify to us in writing that the Restaurant has been constructed or remodeled in strict compliance with the Approved Plans, as well as all applicable codes or other requirements of applicable law.

B. You must also comply with all the conditions of subsection 1.A. of the Franchise Agreement before you open each Restaurant for business.

Initial:

Initial:

Developer:
Rockets:

Johnny

EXHIBIT 3

GUARANTY

Guaranty is from the undersigned officers, directors or owners of the Developer under the Development Agreement (the "Agreement") dated the date hereof between **JOHNNY ROCKETS LICENSING, LLC** ("Johnny Rockets") and _____ (the "Developer").

In consideration of and as an inducement to the execution of the Agreement by Johnny Rockets, each person signing this Guaranty hereby personally and unconditionally, jointly and severally: (i) guarantees to Johnny Rockets and its successors and assigns that the Developer will punctually pay when due all amounts required to be paid under the Agreement and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including, without limitation, provisions for non-competition, confidentiality, audits, restrictions on debt, transfer, venue and jurisdiction.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Johnny Rockets arising or resulting from the undersigned's execution of and performance under this Guaranty; (ii) acceptance and notice of acceptance by Johnny Rockets of the undersigned's obligations under this Guaranty; (iii) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed by the undersigned; (iv) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by the undersigned; (v) any right the undersigned may have to require that an action be brought against the Developer or any other person as a condition of the undersigned's liability; and (vi) all other notices and legal or equitable defenses to which the undersigned may be entitled in the undersigned's capacity as guarantor.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this Guaranty will be joint and several; (ii) the undersigned will make any payment or render any performance required under the Agreement upon demand if the Developer fails or refuses punctually to do so; (iii) the undersigned's liability will not be contingent or conditioned upon Johnny Rockets pursuit of any remedies against the Developer or any other person, including any other guarantor; (iv) the undersigned's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Johnny Rockets may from time to time grant to the Developer, any guarantor or to any other person, including, for example, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; (v) the undersigned's liability will not be diminished, relieved or otherwise affected by any amendment or modification to the Agreement and (vi) this Guaranty will continue and be irrevocable during the term of the Agreement and, as to those provisions of the Agreement that survive its termination or expiration, after its termination or expiration.

This Guaranty shall be governed by, and construed under, the laws of the Commonwealth of Massachusetts, without regard to its conflicts of law principles. Unless the applicable law in

the state in which Developer has its principal place of business or in which the Development Area is located requires otherwise, the parties also specifically and deliberately agree that all litigation of controversies, claims or disputes between Johnny Rockets and you which arise out of or relate to the Agreement or this Guaranty may be brought only in a state or federal court of competent jurisdiction in the Commonwealth of Massachusetts. You irrevocably submit to the jurisdiction and venue of those courts and waive any objection to the jurisdiction and venue of those courts.

GUARANTOR(S):

, personally

, personally

, personally

Dated: _____

EXHIBIT 4

LEASE ADDENDUM

THIS ADDENDUM, made and entered into by and between _____
("Landlord") and _____
("Tenant").

WITNESSETH

WHEREAS, Landlord and Tenant entered into a Lease Agreement dated _____, _____ (the "Lease") pertaining to the real property located at _____, attached hereto (the "Demised Premises") allowing for operation of a Johnny Rockets restaurant; and

WHEREAS, Landlord and Tenant desire to incorporate the following terms into the body of the Lease;

NOW, THEREFORE, in consideration of the covenants herein and therein, the parties hereto agree as follows:

1. Notwithstanding anything contained elsewhere in the Lease to the contrary, Tenant may use the Demised Premises for the purpose of conducting thereon the business of a Johnny Rockets retail food outlet and for incidental purposes related thereto.

2. Landlord hereby grants Tenant the unrestricted right during the initial term and any renewal term of the Lease to assign or sublet the Lease to Johnny Rockets Licensing, LLC ("Johnny Rockets"), upon Johnny Rockets prior written consent.

3. Landlord shall give Johnny Rockets a copy of any and all notices of default given to Tenant, as required to be given by Landlord to Tenant under the terms of the Lease, at the same time such notice is given to Tenant. Within seven (7) days after Tenant's right to cure expires, Johnny Rockets shall have the right, but not the obligations, to cure any such default.

4. Landlord hereby grants Johnny Rockets or its affiliated designee the right, but not the obligation, to assume all of Tenant's rights and obligations under the Lease, upon the occurrence of the following events or under the terms and conditions set forth herein:

(a) Upon default of Tenant under the Lease: If Tenant fails to timely cure Tenant's default within the period specified within the Lease agreement, and Johnny Rockets also declines its option under Section 3 of this Addendum to cure the default, then Landlord shall promptly provide Johnny Rockets with a written notice giving Johnny Rockets the option to assume Tenant's interest in the Lease (the "Offer"). Landlord shall attach a complete copy of the Lease and any amendments thereto to the Offer, and Johnny Rockets shall exercise the Offer, if at all, by written notice to Landlord and Tenant (the "Acceptance") within 15 business days after receipt of the Offer from Landlord.

(b) Upon Termination of the Franchise Agreement: If, during the term of the Lease or any extensions thereof, Johnny Rockets notifies Landlord, in writing, that Tenant's Franchise Agreement with Johnny Rockets has been terminated, then Landlord shall promptly give Johnny Rockets written notice specifying any defaults of the Tenant under the Lease, and shall offer Johnny Rockets the option to assume all of Tenant's interest in the Lease (the "Offer"). Landlord shall attach a complete copy of the Lease and any amendments thereto to the Offer, and Johnny Rockets shall exercise the Offer, if at all, by written notice to Landlord within 15 business days after receipt of the Offer from Landlord.

(c) Assignment to Franchisor: In the event Johnny Rockets or its affiliated designee elects to assume Tenant's interest in the Lease in accordance with the terms set forth in subparagraph 4a. or 4b. above, then Tenant shall promptly vacate the premises and Landlord shall promptly deliver possession of the same to Johnny Rockets provided that Johnny Rockets or its affiliated designee has executed and delivered an assignment and assumption agreement to Landlord assuming all of Tenant's rights and obligations under the Lease. Johnny Rockets or its affiliated designee thereafter shall begin the payment of rent and compliance with the Lease from the date of Johnny Rockets reopening for business until the expiration of the lease term or until further assignment of the Lease to another franchisee with Landlord's permission. Tenant agrees that Landlord is not liable, and shall indemnify and hold Landlord harmless, in the event that Landlord transfers interest in the Lease to Johnny Rockets in accordance with this Section 4.

5. Upon the expiration or earlier termination of the Lease for any reason, Tenant, shall, at its own expense, remove all Johnny Rockets trademarked and trade dress items from all buildings, including, but not limited to signs, fixtures and furnishings, and alter and paint all buildings and other improvements maintained pursuant to the Lease a design and color which is basically different from Johnny Rockets authorized building design and painting schedule.

If Tenant shall fail to make or cause to be made any such removal, alteration or repainting within ten (10) days after the expiration or earlier termination of the Lease, the Landlord shall give Johnny Rockets Licensing, LLC written notice of such failure and Johnny Rockets Licensing, LLC shall have the right to enter upon the Demised Premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of Tenant, which expense Tenant shall pay Johnny Rockets Licensing, LLC on demand.

6. The Landlord and Tenant agree that Johnny Rockets is a third party beneficiary of the Lease and this Addendum. Notwithstanding anything to the contrary elsewhere in the Lease or any addendum or amendment thereto, Landlord and Tenant agree that the terms and provisions set forth in the Addendum shall control and shall not be superseded, terminated or modified without the prior written consent of Johnny Rockets.

[SIGNATURES ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Addendum on _____.

LANDLORD:

TENANT:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT 5-A TO THE AREA DEVELOPMENT AGREEMENT

CERTIFICATE OF CORPORATE RESOLUTION

The undersigned officers hereby certify that they are the duly elected and acting officers of _____ (the "Corporation") and that the following is a true and correct copy of the resolutions adopted by the Board of Directors of the Corporation at a meeting duly called and held, at which meeting a quorum was present and acting throughout and that such resolutions have not been rescinded or modified and are now in full force and effect:

"RESOLVED, that this corporation enter into agreements with Johnny Rockets Licensing, LLC and/or its parent, affiliates or subsidiaries, as are necessary and proper to acquire an interest in the Johnny Rockets restaurant located at _____.

FURTHER RESOLVED, that any one of the officers of the corporation is authorized and directed to execute said agreements on behalf of this corporation, and to approve any modifications, extensions, amendments or terminations of said agreements as any said officer may deem to be in the best interests of the corporation, notwithstanding the fact that such documents as amended, modified, terminated or extended may differ from those presented at this meeting."

We further certify that there is no provision in the Charter or By-Laws of the Corporation that limits the power of the Board of Directors to adopt the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

We further certify that the Corporation is duly organized under the laws of the State of _____ and the Corporation currently has issued and outstanding a total of _____ shares of its capital stock, and all of the owners of stock and the number of shares owned by each are as follows:

<u>Print or Type Shareholder's Name</u>	<u>Number of Shares Owned</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

⇒ Attach an additional sheet, if needed. The sum of shares must equal the total stated above.

We further certify that the following list sets forth the current Directors of the Corporation:

_____	_____
_____	_____
_____	_____
_____	_____

⇒ print or type names of Directors above.

We further certify that the Corporation's federal tax identification number (FEI) is _____.

We further certify that the "Managing Owner" designated by the Corporation pursuant to Section 22 of the Franchise Agreement is:

Print or Type Name:

Title:

Signature of Managing Owner:

We further certify that each of the Corporation's stock certificates has conspicuously endorsed thereon the following statement:

"The shares represented by this certificate are held subject to restrictions imposed on transfers by a certain Franchise Agreement between the corporation and Johnny Rockets Licensing, LLC"

The person responsible for supervising the day-to-day operation of the Restaurant must be listed above as a shareholder owning at least ten percent (10%) of the shares of the Corporation. If not, the person is designated below and we certify that he or she has a right to earn a minimum ten percent (10%) shareholder interest, vesting over no more than five (5) years):

Supervisor's Name (if not
a minimum 10% Shareholder) _____

Successors to such person must own or have the right to earn the same minimum shareholder interest.

IN WITNESS WHEREOF, we have hereunto each subscribed our name under the penalties of perjury on or as of the date of this Franchise Agreement.

The following are names and official signatures of the present officers of the Corporation:

Print or Type Name:

Signature of
Officer:

President

Treasurer

Secretary (Clerk)

Vice President

Vice President

EXHIBIT 5-B TO THE AREA DEVELOPMENT AGREEMENT

CERTIFICATE OF AUTHORITY AND INCUMBENCY
BY MEMBERS OF A LIMITED LIABILITY COMPANY

The undersigned individuals hereby certify that we are all of the Members of _____, a Limited Liability Company ("LLC") duly organized under the laws of the state of _____;

We further certify that the following member (the "Managing Member") is authorized to execute, on behalf of the LLC, any agreements with Johnny Rockets Licensing, LLC and/or its parent, affiliates or subsidiaries (collectively "Johnny Rockets"), as are necessary and proper to acquire an interest in the Johnny Rockets restaurant located at _____.

We further certify that the Managing Member is authorized to make such modifications, extensions, amendments or termination of said agreements as the member may at any time deem to be in the best interest of the LLC and that there is no provision of the LLC's Organization Agreement which limits the power of the Managing Member to bind the LLC to contracts with Johnny Rockets.

The name and specimen signature of the Managing Member of the LLC is as follows:

Print or Type Name: _____

Signature of Managing Member: _____

Johnny Rockets may rely upon this authorization until such time as the LLC submits and Johnny Rockets approves a successor Managing Member.

We acknowledge that any transfer of an interest in the LLC is subject to all restrictions imposed on transfers by the Johnny Rockets Franchise Agreement.

We further certify that the LLC's federal tax identification number (FEI) is _____.

The person responsible for supervising the day-to-day operation of the Restaurant must be listed below as a Member with at least a ten percent (10%) ownership interest in the franchisee entity. If not, the person is designated below and we certify that he or she has a right to earn a minimum ten percent (10%) interest vesting over no more than five (5) years):

Supervisor's Name (if not
a minimum 10% Member) _____

Successors to such person must own or have the right to earn the same minimum shareholder interest.

We further certify that the Members own the percentage interest in the LLC stated below:

IN WITNESS WHEREOF, we have hereunto each subscribed our name under the penalties of perjury on or as of the date of this Franchise Agreement.

<u>MEMBER:</u> (type or print name)	<u>% INTEREST:</u>	<u>SIGNATURE:</u>
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____

EXHIBIT D

GIFT CARD PARTICIPATION AGREEMENT

PARTICIPATION AGREEMENT

WHEREAS, _____, a _____ ("Participant") owns and operates a _____ pursuant to a franchise arrangement with Johnny Rockets Licensing, LLC ("Franchisor").

WHEREAS, Franchisor and Stored Value Systems, Inc. ("SVS") have entered into that certain Services Agreement (the "Services Agreement") dated _____, for SVS to provide services in connection with Franchisor's Cash Card Program whereby Cash Cards are issued to the customers for use as gift certificates, promotional cards and store credit; and

WHEREAS, the Services Agreement provides that Participant may participate in the Cash Card Program by executing this Participation Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisee hereby covenants and agrees to SVS as follows:

1. Participation in Cash Card Program. By entering into this Agreement, Participant elects and agrees to participate in the Cash Card Program and agrees to be bound by the terms and provisions of the Services Agreement applicable to Participant, as the same may be amended from time to time, including without limitation, its obligation to make payment of all amounts owed by Participant in connection with the Cash Card Program.
2. ACH Authorization. Participant understands and agrees that amounts due and owing from Participant to SVS in connection with the Cash Card Program will be automatically debited from Participant's designated bank account(s) by ACH. Participant understands and agrees that SVS is acting as settlement agent for Participant and other participants in the Cash Card Program for the settlement of Cash Card redemptions between Cash Card Program participants. Accordingly, SVS will initiate ACH debits from and credits to Participant's designated bank account(s) for amounts due to/from Participant for redemptions of Cash Cards. In order to set up the ACH settlement process, Participant will complete and transmit electronically to SVS an information spreadsheet in the form provided by SVS. Participant also will complete and sign an ACH Authorization Form, in the form provided by SVS, and will send the original to Participant's bank and a copy to SVS. While the Cash Card Program is in effect, Participant will provide updated information and forms as requested by SVS, including, such information and forms as needed for any new locations opened by Participant.
3. Funding. Participant acknowledges, agrees and understands that proper funding of its designated bank account(s) for the Cash Card Program is necessary to ensure fair and efficient administration of the Cash Card Program. Participant agrees to ensure that its bank accounts are properly funded for the ACH settlement process and for ACH debits of settlement fees owed to SVS.
4. Confidentiality. Participant acknowledges that the Services Agreement is confidential and that Participant may be provided access to other Confidential Information of SVS. Participant agrees to maintain the confidentiality of all SVS Confidential Information in accordance with the confidentiality provisions in the Services Agreement.
5. No Assignment. This Participation Agreement is not assignable, in whole or in part, without the prior written approval of Franchisor and SVS.
6. Compliance with Laws. Participant is responsible for complying with all applicable laws relating to its Cash Card Program, including, without limitation, unclaimed property laws and consumer protection laws.

7. Miscellaneous All capitalized terms not defined herein shall have the meaning attributable thereto in the Services Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Participation Agreement as of _____

PARTICIPANT: _____

Address: _____

By: _____

Printed Name: _____

Title: _____

EXHIBIT E
GENERAL RELEASE

GENERAL RELEASE

This General Release ("**Release**") is made by the undersigned _____ (hereinafter "**Releasor**") for the benefit of Johnny Rockets Licensing, LLC, a Delaware limited liability company, (hereinafter "**Johnny Rockets**"), on _____ (the "**Effective Date**").

RECITALS

WHEREAS, Releasor is a Johnny Rockets Franchisee and operates a Johnny Rockets® Restaurant located at _____ pursuant to a Franchise Agreement dated _____ ("**Franchise Agreement**");

WHEREAS, Releasor desires to execute an additional Franchise Agreement for a Johnny Rockets Restaurant to be located at _____;

WHEREAS, in consideration for the execution of the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Releasor has agreed to execute a general release of Johnny Rockets;

NOW, THEREFORE, Releasor hereby covenants and promises as follows:

1. Release.

(a) Releasor hereby absolutely and forever releases and discharges Johnny Rockets from any and all claims, demands, damages, debts, liabilities, accounts, costs, expenses, liens, losses, charges, actions, suits, proceedings and causes of action of every kind and nature whatsoever (hereinafter "**Released Matters**"), whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship between Releasor and Johnny Rockets.

(b) Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor's attorneys, officers, directors, employees, agents, heirs, estate executors, administrators, successors, affiliates, associates and assigns, and their respective insurers and underwriters. If more than one party shall execute this Release, the term "Releasor" shall mean all parties executing this General Release, and all parties shall be bound by its terms.

(c) Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of any and all of Johnny Rockets' attorneys, officers, directors, employees, agents, authorized representatives, estate, legal representatives, successors, affiliates, associates and assigns, and its and their respective insurers and underwriters.

(d) Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made with respect to this General Release, other than those set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranty, agreement or covenant not set forth herein.

2. **Governing Law and Jurisdiction.** This General Release and all acts and transactions under it shall in all respects be interpreted, enforced and governed by the internal laws of the state of Massachusetts.

3. **Voluntary Nature of Agreement.** Releasor acknowledges and agrees that he has entered into this Agreement voluntarily and without any coercion. Releasor hereby certifies that he has read all of this General Release and fully understands all of the same and that he has executed this General Release only after having received full legal advice and disclosure as to his rights from legal counsel of his choice.

4. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

IN WITNESS WHEREOF, the party hereto has executed this General Release effective as of the date first set forth above.

RELEASOR

By: _____
Name: _____
Title: _____

EXHIBIT F
CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

In consideration of the willingness of JOHNNY ROCKETS LICENSING, LLC ("JRL") to permit me to review JRL's Confidential Development and Operations Manuals ("Manuals") before entering into an Area Development or Franchise Agreement, the person(s) signing below ("Prospective Franchisee") agree, individually and as owner(s), officer(s), director(s), manager(s) or partner(s) of any corporation, limited liability company or partnership that may enter into an agreement with JRL, as follows:

1. **Definition.** As used in this Agreement, the term "Confidential Information" means all information contained in the Manuals and all other information whether or not in written form or designated as confidential relating to the Johnny Rockets System disclosed to Prospective Franchisee except: information which is now or hereafter becomes generally known (other than by unauthorized disclosure, whether deliberate or inadvertent, by Prospective Franchisee or by any other person, firm or corporation with which Prospective Franchisee is affiliated); information which was in Prospective Franchisee's possession at the time of receipt of the Manuals; and information which comes into Prospective Franchisee's possession after the date of this Agreement from a source not under an obligation of secrecy to JRL.
2. **Non-Use and Non-Disclosure.** Prospective Franchisee may use the Confidential Information solely for purposes of evaluating whether or not to pursue a franchise relationship with JRL. Except as expressly authorized by JRL in writing, Prospective Franchisee agrees to maintain all Confidential Information in strict confidence and not to use, or permit others to use, Confidential Information for any purpose other than evaluation of a possible franchise relationship. Prospective Franchisee shall not disclose any Confidential Information to anyone other than Prospective Franchisee's employees, and/or third parties authorized by JRL to receive Confidential information, each of whom: (a) has a reasonable need to know such Confidential Information; (b) has been advised of the confidential nature of the Confidential Information; and (c) if requested by JRL, has signed an agreement, in a form satisfactory to JRL, obligating the employee or third party to comply with all the provisions of this Agreement.
3. **Restrictions on Copying.** Prospective Franchisee shall not make any copies of any Confidential Information. Prospective Franchisee agrees not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any of the Confidential Information.
4. **Obligations Upon Termination.** If Prospective Franchisee does not enter into a franchise relationship with JRL, Prospective Franchisee shall: (a) immediately cease to use the Confidential Information; (b) immediately return to JRL the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (c) at the request of JRL, certify in writing that Prospective Franchisee has complied with subsections (a) and (b) above.
5. **Ownership of Materials.** Prospective Franchisee acknowledges that all Confidential Information, and all copies thereof (whether or not such copies were authorized), shall remain the exclusive property of JRL and/or its affiliates. Prospective Franchisee shall not acquire any rights in or to such materials pursuant to this Agreement.
6. **Term of Obligation.** If Prospective Franchisee does not enter into a franchise relationship with JRL, Prospective Franchisee's obligations of non-use and non-disclosure with respect to particular items of Confidential Information will remain in effect for so long as Prospective Franchisee possesses, in any manner or form, Confidential Information.

7. **Notice of Loss of Confidentiality.** Prospective Franchisee shall immediately notify JRL of any information that comes to its attention which indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or breach of this Agreement.

8. **Governing Law and Jurisdiction.** This Agreement and any claim or controversy arising out of or relating to this Agreement or rights and obligations of the parties under this Agreement shall be governed by and construed in accordance with the laws of the State of Massachusetts without regard to conflicts of laws principles. If any provision of this Agreement is deemed invalid, unreasonable or unenforceable by a court of competent jurisdiction, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court. Any claim that either party may have against the other which is not related to this Agreement will be a separate matter and will not be a defense against enforcement of this Agreement or justify any violation of this Agreement. The parties agree that, to the extent any disputes cannot be resolved directly between them, Prospective Franchisee shall file suit against JRL only in the federal or state court having jurisdiction where JRL's principal offices are located at the time suit is filed. JRL may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Prospective Franchisee resides or does business or where the claim arose. Prospective Franchisee consents to the personal jurisdiction of those courts over Prospective Franchisee and to venue in those courts.

9. **Injunctive Relief.** Prospective Franchisee acknowledges and agrees that: (a) a breach of this Agreement by Prospective Franchisee, its employees or third parties to whom Prospective Franchisee has disclosed the Confidential Information would result in irreparable harm to JRL, the extent of which would be difficult to ascertain; (b) monetary damages would be an inadequate remedy for such a breach; and (c) JRL shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security.

10. **Indemnification and Attorneys' Fees.** Prospective Franchisee agrees to indemnify, defend and hold harmless JRL and its subsidiaries, affiliates, successors and assigns and their past and present directors, officers, employees, agents and representatives from any and all claims, demands and damages (including reasonable attorneys' fees) incurred in connection with or resulting from any breach of any obligation under this Agreement by Prospective Franchisee or Prospective Franchisee's employees or agents. If JRL institutes any proceedings to enforce its rights, or the obligations of Prospective Franchisee, under this Agreement, the prevailing party in such proceeding shall be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any such proceeding.

11. **Benefit of Agreement.** Prospective Franchisee agrees and acknowledges that JRL shall be the beneficiary of Prospective Franchisee's obligations under this Agreement and JRL shall be entitled to all rights and remedies conferred upon JRL hereunder.

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

EXHIBIT G
LIST OF FRANCHISEES

JOHNNY ROCKETS LICENSING, LLC

List of Restaurant Franchisees (as of 12/30/18)

Name	Address	City	ST	ZIP	Phone
JONES, Craig	331 Summit Blvd.	Birmingham	AL	35243	(205) 298-0700
PABINI, Akbar	11201 Bass Pro Parkway, Sp. F04	Little Rock	AR	72209	(501) 455-7600
RIVA, "Rip" Richard	9390 W. Hanna Drive Unit B109	Glendale	AZ	85305	(623) 877-2977
RIVA, "Rip" Richard	7014 Camelback Rd. Sp. 576	Scottsdale	AZ	85251	(480) 423-1505
RIVA, "Rip" Richard	9500 East Via De Ventura	Scottsdale	AZ	85256	(480) 291-8770
RIVA, "Rip" Richard	2805 W. Agua Fria Fwy	Phoenix	AZ	85027	(623) 587-5593
THOMSON, Kevin	555 Middle Verde Rd.	Camp Verde	AZ	86322	(928) 567-5158
THOMSON, Kevin	2270 E. Williams Field Rd., Building B, Suite 101	Gilbert	AZ	85295	(480) 722-1848
THOMSON, Kevin	5000 Arizona Mills Circle, Ste. 235	Tempe	AZ	85282	(480) 755-4024
AMINPOUR, Steve	15103 Mainside Center	Camp Pendleton	CA	92055	(760) 829-1260
AZINIAN, Robert (Bobby) & Karen	400 S Baldwin Ave	Arcadia	CA	91007	(626) 462-1800
AZINIAN, Robert (Bobby) & Karen	6801 Hollywood Blvd., Ste. 325	Hollywood	CA	90028	(323) 465-4456
AZINIAN, Robert (Bobby) & Karen	1000 Universal Studios Blvd.	Universal City	CA	91608	(818) 505-3957
BENAM, Becky	245 Pine Ave., Ste. 110	Long Beach	CA	90802	(562) 983-1332
BHATIA, Pritpal	2774 Livermore Outlets Dr, Space #FC7	Livermore	CA	94551	(925) 292-8231
CEDAR FAIR	8039 Beach Blvd.	Buena Park	CA	90620	(714) 220-5005
APEX PARKS GROUP, LLC	17871 Castleton Street	City of Industry	CA	91748	(626) 913-3747
*CRUZAR CALIFORNIA I, LLC	4545 La Jolla Village Drive	San Diego	CA	92122	(551) 427-1900
*FESTIVAL FUN PARKS, LLC	1525 W. Vista Way	Vista	CA	92083	(790) 945-9474
*FESTIVAL FUN PARKS, LLC	2333 S. White Road	San Jose	CA	95148	(408) 238-9900

Name	Address	City	ST	ZIP	Phone
HAMILTON, Ken	7800 Kew Avenue	Rancho Cucamonga	CA	91739	(909) 463-2800
HAMILTON, Ken	1 Mills Circle	Ontario	CA	91764	(909) 466-0015
JR BH, Inc.	131 South Central Avenue	Los Angeles	CA	90012	(213) 687-8206
GHOMI, Alex	668 Spectrum Center Drive	Irvine	CA	92618	(949) 753-8114
GHOMI, Alex	24425 Town Center Dr., Sp. 135	Valencia	CA	91355	(661) 291-2590
GHOMI, Alex	3525 W. Carson St., Ste. 75	Torrance	CA	90503	(310) 214-4051
HASHIM, Mike	1065 Brea Mall, Sp. 2159	Brea	CA	92821	(714) 784-6815
HASHIM, Mike	2800 N. Main Street	Santa Ana	CA	92705	(657) 212-5599
KHALEGHIAN, Reza	400 West Disney Way, Suite 320	Anaheim	CA	92802	(714) 491-1800
KHALEGHIAN, Reza	100 N. La Cienega Blvd	Los Angeles	CA	90048	(310) 289-0400
KHALEGHIAN, Chris	1550-C Rosecrans Ave.	Manhattan Beach	CA	90266	(310) 536-9464
KHALEGHIAN, Reza	395 Santa Monica Place	Santa Monica	CA	90401	(310) 395-3131
MUNIR, Tariq	1689 Arden Way	Sacramento	CA	95815	(916) 564-9567
MUNIR, Tariq	280 Palladio Parkway	Folsom	CA	95630	(916) 358-9285
NIKKHESSAL, Nick	840 Blossom Hill	San Jose	CA	95123	(408) 229-1414
NIKKHESSAL, Nick	150 South First St., Ste. 115	San Jose	CA	95113	(408) 977-1414
SIX FLAGS, INC.	26101 Magic Mountain Pkwy	Valencia	CA	91355	(661) 255-4978
SIX FLAGS, INC.	1001 Fairgrounds Drive	Vallejo	CA	94589	(707) 556-5661
THOMAS, Nick	640 E. Ventura Blvd. #1201	Camarillo	CA	92648	(805) 484-9999
GIESEN, Dave	3000 E. 1st St., Sp. 113	Denver	CO	80206	(303) 399-5522
*FESTIVAL FUN PARKS, LLC	822 Lake Avenue	Bristol	CT	06010	(860) 583-3300
SUGARMAN, Lloyd	1 Mohegan Street	Uncasville	CT	06382	(860) 862-3797
SUGARMAN, Lloyd	1 Mohegan Sun Street	Uncasville	CT	06382	(860) 862-9226
SUGARMAN, Lloyd	1201 Boston Post Road, #FC-1	Millford	CT	06460	(203) 878-4220
SUGARMAN, Lloyd	455 Trolley Line Blvd.	Mashantucket	CT	06338	(860) 383-2005
KAZEMIAN, Gholam (Kaz)	50 Massachusetts Avenue NE	Washington	DC	20002	(202) 289-6969

Name	Address	City	ST	ZIP	Phone
ALENCAR, Marcos	2398 Grand Cypress Dr., #991	Lutz	FL	33559	(813) 948-8015
ELDRIDGE, Ken & Diana	11401 NW 12 St., Ste. E-508	Miami	FL	33172	(305) 500-9923
ELDRIDGE, Ken & Diana	5701 Sunset Drive, Ste. 270	South Miami	FL	33143	(305) 663-1004
ELDRIDGE, Ken & Diana	2608 Sawgrass Mills Circle #1303	Sunrise	FL	33323	(954) 514-2715
ELDRIDGE, Ken & Diana	7535 N. Kendall Drive #1490	Miami	FL	33156	(305) 663-8864
CHIANG, Homer	250 N. Atlantic Ave.	Daytona Beach	FL	32118	(386) 238-3574
DEEPANKAR, "Jeff" Dillip	3230 North John Young Pkwy	Kissimmee	FL	34741	(407) 870-5310
CHIANG, Homer	4348 Legendary Drive, Suite B-108	Destin	FL	32541	(850) 837-0005
KECHEJIAN, John	4200 Conroy Road, #253-A	Orlando	FL	32839	(407) 903-1006
LONGO, Peter W., Jr.	595 E. International Speedway Blvd.	Deland	FL	32724	(386) 279-7751
REZK, Marwan	2223 N. Westshore	Tampa	FL	33607	(813) 906-3862
SULEIMAN, David	976 Old Mill Run	Lady Lake	FL	32162	(352) 259-0051
TRON, Fabienne	7989 Citrus Park Town Center	Tampa	FL	33625	(813) 926-6335
COMPASS GROUP USA, INC.	421 N. Woodland Blvd.	Deland	FL	32723	(386) 822-4009
GHAVIDEL, Shawn	6700 Douglas Blvd., Ste. 2000	Douglasville	GA	30135	(770) 577-2636
SIX FLAGS ENTERTAINMENT CORP.	275 Riverside Pkwy	Austell	GA	30168	(770) 948-9290
SNYDER, Steve	280 Luckie Street	Atlanta	GA	30313	(404) 688-4114
SNYDER, Steve	3500 Peachtree Road	Atlanta	GA	30326	(404) 233-9867
*HORIZON GROUP PROPERTIES, INC.	915 Ridgeview Parkway	Woodstock	GA	30188	(678) 483-6524
SHARMA, Chand	200 Tanger Outlet Blvd., Sp. 811	Pooler	GA	31322	(912) 450-9666
FERNANDEZ, Linda	91-5431 Kapolei Parkway, Unit 700	Kapolei	HI	96707	(808) 670-2626

Name	Address	City	ST	ZIP	Phone
*FUN FOODS LLC	1000 Kam Highway, #226	Pearl City	HI	96782	(808) 367-1748
SIX FLAGS ENTERTAINMENT CORP.	542 North Route 21	Gurnee	IL	60031	(847) 249-2133
SIX FLAGS ENTERTAINMENT CORP.	542 North Route 21	Gurnee	IL	60031	(847) 249-2133
*HORIZON GROUP PROPERTIES, INC.	1155 Buck Creek Rd., Ste. #720	Simpsonville	KY	40067	(502) 722-5362
HOST INTERNATIONAL, INC.	300 Terminal "C" Rd, Gate C28	Boston	MA	2128	(617) 634-6031
SUGARMAN, Lloyd	75 Middlesex Turnpike	Burlington	MA	01803	(781) 273-2727
SIX FLAGS ENTERTAINMENT CORP.	1623 Main Street	Agawam	MA	01001	(413) 786-9300
SUGARMAN, Lloyd	387 Massachusetts Avenue	Acton	MA	01720	(978) 263-5351
CENTERPLATE CONCESSIONS	1600 FedEx Way	Landover	MD	20785	(301) 276-6000
CENTERPLATE CONCESSIONS	1600 FedEx Way	Landover	MD	20785	(301) 276-6000
CENTERPLATE CONCESSIONS	1600 FedEx Way	Landover	MD	20785	(301) 276-6000
CENTERPLATE CONCESSIONS	1600 FedEx Way	Landover	MD	20785	(301) 276-6000
CENTERPLATE CONCESSIONS	1600 FedEx Way	Landover	MD	20785	(301) 276-6000
SIX FLAGS ENTERTAINMENT CORP.	13710 Central Avenue	Bowie	MD	20721	(301) 249-1500
SABA, Mohammad	301 Light Street, Space 1620	Baltimore	MD	21202	(410) 347-5757
NIZAR, Waqar	7000 Arundel Mills Circle, Space 347	Hanover	MD	21076	(410) 796-1800
LEWIS, Kimberley	1 Freeport Village, Suite 300	Freeport	ME	04032	(207) 865-6070
DAM, Nhi	364 Maine Mall Road	South Portland	ME	04106	(207) 774-8090
SUGARMAN, Lloyd	370 South Blvd., Sp. S-370	Bloomington	MN	55425	(952) 858-8158

Name	Address	City	ST	ZIP	Phone
SIX FLAGS ENTERTAINMENT CORP.	4900 Six Flags Road	Eureka	MO	63025	(636) 938-5300
HARRAH'S CHEROKEE CASINO	777 Cherokee Drive	Cherokee	NC	28719	(828) 497-8484
SIX FLAGS ENTERTAINMENT CORP.	Six Flags on Route 537	Jackson	NJ	08527	(732) 928-2000
SIX FLAGS ENTERTAINMENT CORP.	1 Six Flags Blvd.	Jackson	NJ	08527	(732) 928-2000
WHITE, Bill	180 State Hwy 35	Eaton Towne.	NJ	7724	(732) 389-1120
WHITE, Bill	134 Washington St.	Hoboken	NJ	7030	(973) 659-2620
WHITE, Bill	1900 Pacific Avenue	Atlantic City	NJ	08401	(609) 348-0725
WHITE, Bill	30 Mall Drive West	Jersey City	NJ	07302	(201) 963-4002
LAGUNA DEVELOPMENT CORP.	14500 Central Southwest	Albuquerque	NM	87121	(505) 352-7884
CRUZ, Juan Francisco	6600 Menaul Blvd NE	Albuquerque	NM	87110	(505) 884-4667
THOMSON, Kevin	10000 Coors Bypass NW, Sp. C1	Albuquerque	NM	87114	(505) 792-9800
AZINIAN, Robert (Bobby) & Karen	3333 Blue Diamond Rd, Suite 101	Las Vegas	NV	89139	(702) 385-0759
AZINIAN, Robert (Bobby) & Karen	7300 Aliante Pkwy	Las Vegas	NV	89084	(702) 399-2149
BONANNO, Frank	3377 Las Vegas Blvd. South	Las Vegas	NV	89109	(702) 699-5387
BONANNO, Frank	3200 Las Vegas Blvd South	Las Vegas	NV	89109	(702) 784-0107
BONANNO, Frank	4300 Meadows Lane	Las Vegas	NV	89107	(702) 258-3410
BONANNO, Frank	3555 Las Vegas Blvd. South	Las Vegas	NV	89109	(702) 369-4011
BONANNO, Frank	3645 Las Vegas Blvd. South	Las Vegas	NV	89117	(702) 489-9330
BONANNO, Frank	3950 Las Vegas Blvd. South	Las Vegas	NV	89119	(702) 786-6773
BONANNO, Frank	3850 Las Vegas Blvd. South	Las Vegas	NV	89119	(702) 570-6011
BONANNO, Frank	3799 Las Vegas Blvd. South	Las Vegas	NV	89109	(702) 597-0131
BONANNO, Frank	3900 Las Vegas Blvd. South	Las Vegas	NV	89109	(702) 545-0044
BURGER, Eugene	4600 Snyder Avenue #B	Carson City	NV	89701	(775) 883-2607
CHICATELLI, Louis	1 Crossgate Mall Rd.	Albany	NY	12203	(518) 862-0200
CHICATELLI, Louis	1 North Galleria Dr., Suite B-115	Middletown	NY	10941	(845) 692-7004
*FESTIVAL FUN PARKS, LLC	2549 Splish Splash Drive	Calverton	NY	11933	(631) 727-3600
GELSHENEN, Joe	630 Old Country Road, Sp 2108	Garden City	NY	11530	(516) 741-4595

Name	Address	City	ST	ZIP	Phone
ISANI, Saniya	1000 Colonel Eileen Collins Blvd.	Syracuse	NY	13212	(315) 299-6974
LEGENDS HOSPITALITY MANAGEMENT	One East 161 st Street	Bronx	NY	10451	(718) 293-4300
LEGENDS HOSPITALITY MANAGEMENT	One East 161 st Street	Bronx	NY	10451	(718) 293-4300
LEGENDS HOSPITALITY MANAGEMENT	One East 161 st Street	Bronx	NY	10451	(718) 293-4300
RANDAZZO, Tom	1002 The Arches Circle	Deer Park	NY	11729	(631) 595-7090
SIX FLAGS ENTERTAINMENT CORP.	89 Six Flags Drive	Queensbury	NY	12804	(518) 824-6000
SUGARMAN, Lloyd	930 Third Avenue	New York	NY	10002	(212) 813-0003
JR CROSSGATES, LLC	1 Crossgates Mall Road	Albany	NY	12203	(518) 862-0200
*FESTIVAL FUN PARKS, LLC	2549 Splish Splash Drive	Calverton	NY	11933	(631) 727-3600
ISANI, Saniya	1000 Colonel Ellen Collins Blvd.	Syracuse	NY	13212	(315) 299-6974
CEDAR FAIR	One Cedar Point Drive	Sandusky	OH	44870	(419) 626-0830
MUSCOGEE CREEK NATION	8330 Riverside Parkway	Tulsa	OK	74137	(918) 995-8300
OKLAHOMA STATE UNIVERSITY	470 Student Union	Stillwater	OK	74078	405 744-2911
*FESTIVAL FUN PARKS, LLC	4800 Kennywood Blvd.	West Mifflin	PA	15122	(412) 461-0500 ext. 11
HUGHES, Michael	5 Radcliff	Moosic	PA	18507	(570) 961-8461
HUGHES, Michael	1000 Montage Mountain Rd.	Scranton	PA	18507	(570) 969-7669
MOHAMMED, Amir	1000 Premium Outlets Drive	Tannersville	PA	18372	(570) 629-2020
SUGARMAN, Lloyd	1280 Highway 315	Wilkes-Barre	PA	18702	(570) 235-1067
HOST INTERNATIONAL, INC.	2000 Post Road	Warwick	RI	02886	(401) 732-5140
SUGARMAN, Jason	400 Bald Hill Road, Suite #100, Space F-5	Warwick	RI	02886	(401) 921-1313
SUGARMAN, Lloyd	1600 Louisquisset Pike	Lincoln	RI	02865	(401) 475-8446
SUGARMAN, Lloyd	1000 Chapel View Blvd., Suite 100	Cranston	RI	02910	(401) 228-7833

Name	Address	City	ST	ZIP	Phone
SUGARMAN, Lloyd	59 Providence Place	Providence	RI	2903	(401) 270-0902
FRANKIE'S FUN PARK OF GREENVILLE, LLC	45 Park Woodruff Drive	Greenville	SC	29607	(864) 627-9888
MCKENZIE, Dave	1216 Celebrity Circle	Myrtle Beach	SC	29578	(843) 448-8575
MCKENZIE, Dave	4712-A Highway 17 South	N. Myrtle Beach	SC	29582	(843) 361-0191
KENNEDY, Chad	735 Parkway #2	Gatlinburg	TN	37738	(865) 430-5842
SUGARMAN, Lloyd	134 Opry Mills Drive	Nashville	TN	37214	(615) 970-7434
*CRUZ, Juan Francisco	2119 N. Mesa	El Paso	TX	79902	(915) 201-3290
*CRUZ, Juan Francisco	8401 Gateway West Blvd.	El Paso	TX	79925	(915) 201-3140
SIX FLAGS ENTERTAINMENT CORP.	2201 Road To Six Flags	Arlington	TX	76010	(817) 640-8900
SIX FLAGS ENTERTAINMENT CORP.	17000 I-10 West	San Antonio	TX	78257	(210) 697-5000
SIX FLAGS ENTERTAINMENT CORP.	17000 IH-10 West	San Antonio	TX	78257	(210) 697-5000
WESTON ENTERTAINMENT	3939 IH-35 South Suite 900	San Marcos	TX	78666	(512) 392-7499
KAUACHI, Jorge Jobi	3300 E. Expressway 83, Suite 150	McAllen	TX	78501	(956) 630-6094
APEX PARKS GROUP, LLC	11130 Malibu Drive	Dallas	TX	75228	(972) 247-7223
KAUACHI, Jorge Jobi	3340 Pablo Kisel Blvd.	Brownsville	TX	78520	(956) 621-0704
BERLANGA, Hugo A.	7718 McPherson, Unit 106G	Laredo	TX	78045	(956) 538-1842
*HORIZON GROUP PROPERTIES	1600 Water Street	Laredo	TX	78040	(956) 568-3076
KAUACHI, Jorge Jobi	410 Plaza Blvd, Suite 108	South Padre Island	TX	78597	(956) 433-5504
*SAINZ, Javier Francisco	849 E. Commerce, #677	San Antonio	TX	78205	(220) 444-0744
GHOMI, Alex	875 W. East Promontory	Farmington	UT	84025	(801) 451-4621
GHOMI, Alex	36 So. Main Street, Unit 240	Salt Lake City	UT	84111	(801) 441-1660

Name	Address	City	St	ZIP	Phone
GHOMI, Alex	3700 N. Cabela's Blvd., Suite 353	Lehi	UT	84043	(801) 901-1343
SANFORD, Kevin	5930 Harbor Park Drive	Midlothian	VA	23112	(804) 739-9155
AZINIAN, Robert (Bobby) & Karen	1101 SuperMall Way, Ste. 1021	Auburn	WA	98001	(253) 735-2449
AZINIAN, Robert (Bobby) & Karen	418 Ramsey Way	Kent	WA	98031	(253) 854-1573
AZINIAN, Robert (Bobby) & Karen	600 Pine St.	Seattle	WA	98101	(206) 749-9803
SUGARMAN, Lloyd	633 South Center Mall	Tukwila	WA	98188	(206) 246-1779
*FESTIVAL FUN PARKS, LLC	1410 Wisconsin Dells Pkwy	Wisconsin Dells	WI	53965	
*HORIZON GROUP PROPERTIES, INC.	3015 S. Washburn Street	Oshkosh	WI	54904	(920) 230-2510
HOST INTERNATIONAL, INC.	5300 South Howell Avenue	Milwaukee	WI	53207	(414) 747-5252

* Denotes an Area Developer

**List of Franchisees who have a signed Franchise Agreement
but are not yet operational
(as of 12/31/18)**

Lloyd Sugarman
Rhode Rockets, Inc.
115 A Pratt Street, Providence, RI 02906
(401) 572-3931

Michael Hashim
JR SA, Inc.
5634 Wadsworth Avenue, Highland, CA 92346
(909) 425-9035

Jorge Jobi Kauachi
RGV Best Burger, LLC
134 Barcelona, Brownsville, TX 78526
(956) 233-7467

EXHIBIT H
FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

CONSOLIDATED JOHNNY ROCKETS GROUP, INC
UNAUDITED BALANCE SHEET
April 28, 2019

ASSETS

	<u>ACTUALS</u>
CASH & EQUIVALENTS	591,493
ACCOUNTS RECEIVABLE	1,639,918
INVENTORIES	69,440
PREPAID EXP & OTHER ASSETS	519,526
TOTAL CURRENT ASSETS	<u>2,820,377</u>
PLANT & PROPERTY, AT COST	6,701,774
ACCUMULATED DEPRECIATION	<u>(4,168,858)</u>
NET PLANT & PROPERTY	2,532,916
INTANGIBLE ASSETS, NET OF AMORTIZATION	42,164,219
OTHER ASSETS	23,281
TOTAL ASSETS	<u><u>47,540,793</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)

CAPITAL LEASES	14,310
ACCOUNTS PAYABLE	1,127,495
ACCRUED SALARIES & BENEFITS	853,822
OTHER ACCRUED EXPENSES	2,440,913
TOTAL CURRENT LIABILITIES	<u>4,436,540</u>
CAPITAL LEASES	37,871
RELATED PARTY DEBT	93,814,934
ACCRUED RENT-OPERATING LEASES	546,448
OTHER LONG-TERM LIABILITIES	1,676,442
TOTAL LONG-TERM LIABILITIES	<u>96,075,695</u>
ADDITIONAL PAID IN CAPITAL	15,972,050
ACCUMULATED DEFICIT	<u>(68,943,492)</u>
TOTAL SHAREHOLDER'S EQUITY (DEFICIT)	<u>(52,971,442)</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)	<u><u>47,540,793</u></u>

CONSOLIDATED JOHNNY ROCKETS GROUP, INC
UNAUDITED INCOME STATEMENT
YEAR TO DATE APRIL 28, 2019

	ACTUALS
REVENUES	10,393,153
COST OF SALES	1,318,607
GROSS MARGIN	<u>9,074,546</u>
OPERATING EXPENSES	4,555,274
GENERAL & ADMINISTRATIVE EXPENSE	3,916,980
DEPRECIATION & AMORTIZATION EXPENSE	1,325,801
OPERATING LOSS	<u>(723,509)</u>
NON-OPERATING EXPENSES	
INTEREST EXPENSE	<u>2,852,967</u>
NET LOSS BEFORE TAXES	<u>(3,576,476)</u>
INCOME TAXES	221,623
NET LOSS	<u><u>(3,798,099)</u></u>

CONSOLIDATED JOHNNY ROCKETS GROUP, INC
UNAUDITED STATEMENT OF CASH FLOWS
YEAR TO DATE APRIL 28, 2019

	<u>ACTUALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
NET LOSS	\$ (3,798,099)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
DEPRECIATION	301,992
AMORTIZATION	1,023,809
INTEREST ON PIK NOTE	2,843,775
LANDLORD CONTRIBUTIONS	50,000
OTHER GAINS & LOSSES	-
LOSS (GAIN) ON DISPOSAL OF FIXED ASSETS	-
CHANGES IN OPERATING ASSETS AND LIABILITIES	
ACCOUNTS RECEIVABLE	357,656
INVENTORIES	9,221
OTHER ASSETS	(48,782)
ACCOUNTS PAYABLE	(656,859)
ACCRUED EXPENSES AND OTHER LONG TERM LIABILITIES	(98,467)
NET CASH USED BY OPERATING ACTIVITIES	<u>(15,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
PURCHASES OF PROPERTY AND EQUIPMENT	(90,044)
PROCEEDS FROM SALES OF PROPERTY AND EQUIPMENT	
NET CASH USED IN INVESTING ACTIVITIES	<u>(90,044)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
PROCEEDS FROM RELATED PARTY BORROWINGS	2,500,739
REPAYMENTS OF RELATED PARTY BORROWINGS	(2,076,852)
REPAYMENTS OF CAPITAL LEASE OBLIGATIONS	(4,449)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>419,438</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	313,640
CASH AND CASH EQUIVALENTS BEGINNING OF THE PERIOD	<u>277,853</u>
CASH AND CASH EQUIVALENTS END OF THE PERIOD	<u>\$ 591,493</u>

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

**The Johnny Rockets Group, Inc. and
Subsidiaries**

As of and for the years ended December 30, 2018
and December 31, 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Managers
The Johnny Rockets Group, Inc.

We have audited the accompanying consolidated financial statements of The Johnny Rockets Group, Inc. (a Delaware limited liability company) and subsidiaries, which comprise the consolidated balance sheets as of December 30, 2018 and December 31, 2017, and the related consolidated statements of operations, shareholder's equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Johnny Rockets Group, Inc. and subsidiaries as of December 30, 2018 and December 31, 2017, and the results of their operations and their cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Hartford, Connecticut
May 15, 2019

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Dollar amounts in thousands)

Assets

	<u>December 30, 2018</u>	<u>December 31, 2017</u>
Current assets:		
Cash	\$ 278	\$ 52
Receivables, net	1,998	3,290
Inventories	79	158
Prepaid expenses and other current assets	<u>370</u>	<u>1,039</u>
Total current assets	2,725	4,539
Property and equipment, net	2,745	5,875
Goodwill	7,393	14,869
Intangible assets, net	35,795	46,525
Other assets	<u>124</u>	<u>114</u>
Total assets	\$ <u>48,782</u>	\$ <u>71,922</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets - Continued (Dollar amounts in thousands, except par value)

Liabilities and Shareholder's Equity (Deficit)

	<u>December 30, 2018</u>	<u>December 31, 2017</u>
Current liabilities:		
Accounts payable	\$ 1,784	\$ 1,584
Due to affiliates	32	373
Accrued salaries and benefits	808	1,058
Accrued expenses	2,349	2,537
Deferred franchise fees, current portion	223	341
Capital leases, current portion	14	12
Long-term debt, current portion	-	9
Total current liabilities	<u>5,210</u>	<u>5,914</u>
Deferred franchise fees, net of current portion	416	212
Deferred tax liabilities	-	424
Capital leases, net of current portion	43	57
Long-term debt, net of current portion	-	64
Long-term debt related party	90,547	82,711
Other long-term liabilities	<u>1,739</u>	<u>576</u>
Total liabilities	<u>97,955</u>	<u>89,958</u>
Commitments and contingencies (Note 16)		
Shareholder's equity (deficit):		
Common stock, \$0.01 par value: 10,000 shares authorized, 1,000 shares issued and outstanding	-	-
Additional paid-in-capital	15,972	15,866
Accumulated deficit	<u>(65,145)</u>	<u>(33,902)</u>
Total shareholder's equity (deficit)	<u>(49,173)</u>	<u>(18,036)</u>
Total liabilities and shareholder's equity (deficit)	<u>\$ 48,782</u>	<u>\$ 71,922</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations (Dollar amounts in thousands)

	For the Year Ended December 30, 2018	For the Year Ended December 31, 2017
Revenues:		
Restaurant sales	\$ 24,620	\$ 28,714
Franchise royalties	14,419	15,044
Initial country and franchise fees and rental income	1,243	1,937
Total revenues	40,282	45,695
Operating expenses:		
Cost of sales	5,710	7,055
Labor costs	9,099	10,173
Operating expenses	11,503	12,845
General and administrative expenses	12,792	15,193
Depreciation and amortization	4,261	4,439
Provision for impairment of long-lived assets	485	1,126
Impairment of goodwill and other intangibles	15,125	1,859
Loss on disposal of assets, net	2,056	853
Store closure expense	2,913	(9)
Total operating expenses	63,944	53,534
Loss from operations	(23,662)	(7,839)
Other expense:		
Interest expense, net	7,194	5,857
Loss before income taxes	(30,856)	(13,696)
Provision for income expense (benefit)	387	(2,958)
Net Loss	\$ (31,243)	\$ (10,738)

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholder's Equity (Deficit)

(Dollar amounts in thousands, except share data)

For the years ended December 30, 2018 and December 31, 2017

	Number of shares	Common stock	Additional paid-in capital	Accumulated deficit	Total
Balance at January 1, 2017	1,000	\$ -	\$ 15,863	\$ (23,164)	\$ (7,301)
Net loss	-	-	-	(10,738)	(10,738)
Share-based compensation	-	-	3	-	3
Balance at December 31, 2017	1,000	\$ -	\$ 15,866	\$ (33,902)	\$ (18,036)
Net Loss	-	-	-	(31,243)	(31,243)
Share-based compensation	-	-	106	-	106
Balance at December 30, 2018	1,000	\$ -	\$ 15,972	\$ (65,145)	\$ (49,173)

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollar amounts in thousands)

	For the Year Ended December 30, 2018	For the Year Ended December 31, 2017
Operating activities:		
Net Loss	\$ (31,243)	\$ (10,738)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	4,261	4,439
Interest expense on in-kind notes	7,178	5,605
Impairment of goodwill / intangible assets	15,125	1,859
Provision for bad debts	756	141
Share-based compensation	106	3
Impairment loss for long-lived assets	485	1,126
Loss on disposal of assets	2,056	853
Provision for store closures	1,560	(202)
Deferred taxes, net	(424)	(3,572)
Net change in operating assets and liabilities:		
Receivables, net	536	76
Inventories	79	77
Other assets	659	801
Accounts payable	200	(229)
Due to affiliates	(341)	(180)
Accrued expenses and other long-term liabilities	(833)	(955)
Deferred franchise fees	86	(148)
Net cash provided by (used in) operating activities	246	(1,044)
Investing activities:		
Purchases of property and equipment	(593)	(716)
Proceeds from sales of property and equipment	-	6
Net cash used in investing activities	(593)	(710)
Financing activities:		
Repayment of related party debt	(13,210)	-
Repayment of affiliate advance	-	(1,541)
Proceeds from related party debt	13,868	3,174
Repayments of capital lease obligations	(12)	(8)
Repayments of debt	(73)	(9)
Net cash provided by financing activities	573	1,616
Net increase (decrease) in cash	226	(138)
Cash, beginning of year	52	190
Cash, end of year	\$ 278	\$ 52
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 18	\$ 252
Cash paid for income taxes	\$ 22	\$ 25

The accompanying notes are an integral part of these consolidated financial statements.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 1 - NATURE OF OPERATIONS

The Johnny Rockets Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the “Company” or “JRG”) develop, operate, and franchise restaurants under the name “Johnny Rockets, The Original Hamburger.” The restaurants are casual-themed, all-American style diners that primarily serve hamburgers, shakes, and American fries.

On June 6, 2013 (the “Acquisition Date”), Burger Acquisition Co. entered into a Membership Interest Purchase Agreement (the “Agreement”), whereby Burger Acquisition Co., a Delaware corporation and wholly owned subsidiary of Neapolitan Group, LLC (the “Parent”), agreed to purchase all of the outstanding membership interests of JR Group Holdings, LLC (“JRGHL”), a Delaware limited liability company, becoming the single member of JRGHL, the parent of Johnny Rockets Group, Inc. and its subsidiaries. Neapolitan Group, LLC is also a Delaware limited liability company and a wholly owned subsidiary of Sundae Group Holdings I, LLC, a Delaware limited liability company (the “Ultimate Parent”).

On June 20, 2016, the Parent of Johnny Rockets Holding Co. (“JRHC”) (f/k/a Burger Acquisition Co.) distributed 100% of JRHC shares to Sundae Group Holdings I, LLC.

At December 30, 2018, there were 13 Company-owned restaurants and 359 franchised restaurants. Company-owned restaurants are located in California, Maryland, Michigan, Nevada, New Jersey, New York, Virginia, and Washington, D.C. Franchised restaurants are located throughout the United States and in Australia, Bahrain, Bangladesh, Brazil, Canada, Chile, Columbia, Costa Rica, Cyprus, Ecuador, Germany, Honduras, Indonesia, Italy, Kuwait, Malaysia, Mexico, Nigeria, Norway, Panama, Paraguay, Peru, Poland, Qatar, Saudi Arabia, South Korea, Tunisia, the United Arab Emirates, and Uruguay.

The following is a summary of JRG’s Company-operated and franchised units:

	<u>Domestic</u>	<u>International</u>	<u>Total</u>
<u>Company Units:</u>			
Beginning of the period	25	-	25
Openings	-	-	-
Acquired from (by) franchisees	-	-	-
Closings	(5)	-	(5)
End of year, December 31, 2017	20	-	20
Openings	-	-	-
Acquired from (by) franchisees	-	-	-
Closings	(7)	-	(7)
End of year, December 30, 2018	13	-	13

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 30, 2018 and December 31, 2017
(In thousands)

NOTE 1 - NATURE OF OPERATIONS - Continued

	<u>Domestic</u>	<u>International</u>	<u>Total</u>
<u>Franchised Units:</u>			
Beginning of the period	182	178	360
Openings	7	38	45
Acquired from (by) franchisees	-	-	-
Closings	(19)	(17)	(36)
End of year, December 31, 2017	170	199	369
Openings	2	35	37
Acquired from (by) franchisees	-	-	-
Closings	(10)	(37)	(47)
End of year, December 30, 2018	162	197	359

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of JRG and two wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Period

JRG's fiscal year ends on the Sunday closest to December 31 in any given year.

Liquidity

For the years ended December 30, 2018 and December 31, 2017, JRG incurred losses of \$31,243 and \$10,738, respectively. In addition, the company had negative cash flows of \$1,044 from operations in 2017 and positive cash flows of \$246 in 2018. These results were partially due to several one-time cash expenses related to restructuring activities and the impairment of certain intangible assets.

Management has implemented a plan to improve operating results, which included the closing of seven non-performing Corporate locations in 2018 that generated negative cash flow of \$971 and the termination of a lease for corporate office space at the end of 2018 that will result in a \$200 reduction in rent expense. In addition, on May 13, 2019 management received a commitment from related parties which will provide up to \$1,500 of additional liquidity to support working capital as needed. Management believes that these actions will enable the Company to continue as a going concern through May 15, 2020, which is one year from the date these financial statements were issued. However, if actual results are significantly different from plan, other sources of liquidity will be needed, including but not limited to the financial support commitment from related parties to provide additional working capital, debt funding, capital purchase reductions, expense reductions, or equity contributions. There can be no assurance as to the availability or terms upon which such financing and capital might be available.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Liquidity - Continued

As of December 30, 2018, JRG debt is all held by related parties with payment in kind interest. The portion of debt that was due in 2019 was replaced in January 2019 with additional related party debt with a maturity date of December 2022. Currently the maturity date for the debt ranges from June 2021 to December 2022. None of the related party debt has financial covenants.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates used in preparing these consolidated financial statements include revenue recognition, accounting policies, reserves, recoverability of accounts receivable, valuation of goodwill, intangible and other long-lived assets, valuation of stock-based compensation, and assumptions used in the income tax valuation allowances and tax contingency reserves. Management believes that such estimates have been based on reasonable and supportable assumptions and the resulting estimates are reasonable. Actual amounts could differ from these estimates and they may be adjusted as more information becomes available.

Revenue Recognition

The Company recognizes revenue from Company owned restaurants food and beverage sales as services are rendered and payment is received at the point of sale. Taxes collected from customers and remitted to government authorities are presented on a net basis and excluded from revenue.

Relating to its franchising activities, the Company receives country fees, franchise fees, area development fees, and continuing royalties. The Company recognizes country fees, franchise fees and area development fees revenue when it has completed performance of substantially all obligations specified in the related underlying agreements. For domestic franchisees, completion of substantially all obligations occurs upon the opening of each restaurant specified in the underlying agreement. Obligations include site selection, construction support, and marketing support. Payments received from franchisees prior to the completion of these obligations are reflected as current and noncurrent deferred franchise fees in the accompanying consolidated balance sheets. For international franchisees, the Company completes substantially all obligations prior to and upon entering into an area development agreement. However, each agreement is reviewed to ensure proper revenue recognition. Royalties are generally contractually earned at amounts equal to approximately 5% of franchised restaurant net sales and are recognized as such sales occur.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2.- SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Gift Cards

The Company sells gift cards primarily at restaurant locations and are redeemable at the Company's locations. The gift cards sold have no stated expiration dates and are subject to potential escheatment laws in the various jurisdictions in which the Company operates. Deferred gift card income is recorded in accrued expenses on the consolidated balance sheets. The Company recognizes revenue from gift cards when it is redeemed by the customer.

Preopening Costs

Preopening costs, which consist of payroll, supplies, and other direct expenses incurred in connection with opening new restaurants, are expensed as incurred.

Cash

JRG maintains cash balances at financial institutions, and at times, balances may exceed federally insured limits. JRG has never experienced any losses related to these balances. Short-term liquid investments with original maturities of three months or less at the time of purchase are reported as cash equivalents and are carried at cost.

Fair Value of Financial Instruments

The carrying amounts of JRG's cash, receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of JRG's debt obligations approximates fair value due to the length of the maturities, terms and/or due to the interest rates on these obligations not being significantly different from the current market rates available to JRG.

Receivables and Allowance for Doubtful Accounts

Receivables include royalties, franchise fees, contractual marketing fees, credit cards, rents and other miscellaneous items. Receivables are stated at cost less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings based on a percentage of the outstanding balance and an assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. For the years ended December 30, 2018 and December 31, 2017 the Company wrote off \$207 and \$4 of receivables, respectively. There were allowances for doubtful accounts of \$759 and \$210 as of December 30, 2018 and December 31, 2017, respectively.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Receivables and Allowance for Doubtful Accounts - Continued

Receivables, net consisted of the following:

	December 30, 2018	December 31, 2017
Franchise receivable, net	\$ 1,539	\$ 2,756
Credit card receivable	305	336
Other receivables	154	198
Total	<u>\$ 1,998</u>	<u>\$ 3,290</u>

At December 30, 2018, one customer accounted for more than 30% of franchise receivable. At December 31, 2017 one customer accounted for more than 29% of franchise receivable. No individual customer accounted for more than 10% of consolidated revenue from continuing operations for the years and December 30, 2018 and December 31, 2017.

Concentrations of Risk

JRG's financial instruments that are exposed to concentrations of credit risk consist primarily of cash in financial institutions. JRG places its cash with high credit quality institutions. At times, such deposits may be in excess of the FDIC insurance limit. JRG has not experienced any losses and does not believe it is exposed to any significant risk on cash. In addition, JRG is subject to credit risk through franchise receivables; however, JRG periodically evaluates the financial strength of its franchisees and believes its allowance for doubtful accounts and management of accounts are adequate to cover its credit risk exposure.

JRG currently relies on a single supplier to distribute food, packaging, and supplies to restaurants. Although they could use alternative distributors, a change in distributor could cause a delay in receipt of food, packaging, or supplies and possibly result in lost sales, which could adversely impact the results of operations.

Inventories

Inventories, consisting principally of food and beverages, are stated at the lower of cost (first in, first out method) or market value. Inventories are reviewed for spoilage and excess or obsolete products and reserved accordingly.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 30, 2018 and December 31, 2017
(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Long-lived Assets

Long-lived assets, such as property and equipment, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances that require a long-lived asset or asset group to be tested for possible impairment, JRG first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable, JRG will test the restaurant for impairment. JRG evaluates restaurants by reviewing historical cash flows and reviews estimates of future cash flows, assumptions of future same-store sales and projected operating expenses. Based on the best information available, it writes down the assets of an impaired restaurant to its estimated fair market value, which becomes the new cost basis. Estimated fair market value is based on its experience selling similar properties and local market conditions, less cost to sell, for properties to be disposed of. In addition, restaurants scheduled for closing are reviewed for impairment and depreciable lives are adjusted. The impairment evaluation is based on the estimated cash flows from continuing use through the expected disposal date, and the expected terminal value.

The Company recorded impairment expense of \$485 and \$1,126 for the years ended December 30, 2018 and December 31, 2017, respectively.

Provision for Store Closures

Store closure costs include costs of disposing of the assets as well as other facility-related expenses and are expensed as incurred. Additionally, at the date of the closure, JRG records a liability for any remaining operating lease obligations after the expected closure date, net of estimated sublease income, if any.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, closure costs and sublease income. Accordingly, actual results could vary significantly from estimates.

Property and Equipment

Property and equipment are stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease terms. For leases with renewal periods at JRG's option, JRG generally uses the original lease term, excluding the option periods, to determine estimated useful lives. If failure to exercise a renewal option imposes an economic penalty on JRG, such that management determines at the inception of the lease that renewal is reasonably assured, JRG includes the renewal option period in the determination of appropriate estimated useful lives.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 30, 2018 and December 31, 2017
(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Property and Equipment - Continued

The estimated useful service lives are as follows:

Leasehold improvements	lesser of lease term or 10 to 20 years
Equipment, furniture, and fixtures	lesser of lease term or 1 to 10 years
Computer	1 to 5 years

Smallwares, including plates, glassware, and silverware, are capitalized and included in property and equipment when a restaurant is initially opened. Smallwares are not depreciated and subsequent replacements of smallwares are expensed when purchased. Periodically, JRG evaluates the reasonableness of the smallwares balances to determine that their carrying value approximates replacement cost. For the year ended December 30, 2018 JRG wrote off the remaining \$108 in smallwares.

Goodwill and Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized, they are subject to annual impairment testing. JRG has goodwill with an indefinite life, which is all attributable to the franchise reporting unit. Trade names, which the majority is allocated to the franchise reporting unit and a small portion is allocated to the corporate restaurant reporting unit, domestic franchise agreements, and international franchise agreements are finite-lived intangible assets that are being amortized over estimated lives of 20, 15 and 20, respectively. The Company performs its annual impairment testing on the anniversary date of the acquisition and annually thereafter, or more frequently if events and circumstances indicate that the asset might be impaired. The goodwill impairment test employed by the Company includes quantitative and qualitative assessments. In January 2017, the FASB released Accounting Standards Update No. 2017-04 Simplifying the Test for Goodwill Impairment (ASU 2017-04). This new guidance specifies that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The FASB also eliminated the requirements to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

An entity should apply the amendments in this update on a prospective basis. JRG adopted this amendment in 2017. For the years ended December 30, 2018 and December 31, 2017 JRG performed the impairment analysis by using the quantitative assessment for Goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis and a market multiple approach. This resulted in the carrying value exceeding the fair market value of the unit and an impairment of \$7,476 and \$1,808 being recorded for the years ended December 30, 2018 and December 31, 2017, respectively.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 30, 2018 and December 31, 2017
(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Goodwill and Intangible Assets - Continued

Amortizable intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require an amortizable intangible to be tested for possible impairment, JRG compares undiscounted cash flows expected to be generated by that business unit or the specific assets related to the intangible to its carrying value. If the carrying value of the intangible is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds the fair value. Fair value is determined using the royalty relief method for the trade name intangible and excess earnings income approach for the domestic and international franchise agreements.

JRG determined there were events and circumstances for the year ending December 30, 2018 that indicated the amortizing intangibles may be impaired. As result of the testing JRG recorded impairment expense related to the franchise reporting unit of \$1.7 million for domestic franchise agreements and \$5.1 million for trade names. For the corporate restaurant reporting unit \$842 of impairment expense was recorded for trade names. For the year ending December 31, 2017 the \$51 reacquired franchise rights intangible was fully impaired do to the location it was related to closing permanently. JRG has also reviewed the useful lives of these intangible assets and reduced the remaining lives to 9 and 10 years for international franchise agreements and trade names, respectively.

Reclassifications

JRG has reclassified certain amounts in the December 31, 2017 statements to conform to our current year presentation. There has been no change to the net loss previously reported.

Accrued Disposition Reserves

JRG records a liability, net of estimated sublease income, for the remaining minimum lease payments associated with closed stores on the cease-use date. The liabilities are included in accrued expenses and other long-term liabilities.

The following is a summary of activity of accrued disposition reserves:

	2018	2017
Beginning of the year	\$ -	\$ 202
Provisions for closings, net	(1,560)	(9)
Payments	-	(193)
Total	<u>\$ (1,560)</u>	<u>\$ -</u>

The amounts outstanding as of December 30, 2018 are \$313 current and \$1,247 long term.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Income Taxes

JRG accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

JRG records deferred tax assets to the extent it believes there will be sufficient future taxable income to utilize those assets prior to their expiration. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. To the extent deferred tax assets may be unable to be utilized, JRG records a valuation allowance against the potentially unrealizable amount and records a charge against earnings. The calculation of JRG tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. JRG is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions. In evaluating the exposure associated with various filing positions, JRG records estimated reserves for probable exposures.

Due to ever-changing tax laws and income tax rates, significant judgment is required to estimate the effective tax rate that will apply to tax differences that are expected to reverse in the future. JRG must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded. These estimates could have a significant impact on the consolidated financial statements.

Advertising

JRG has its Company-operated and franchised restaurants share in the cost of various advertising and marketing programs. Advertising and marketing contributions are generally determined based on a percentage of revenues and

To the extent contributions exceed advertising and promotional expenditures, the unspent contributions are recorded as a liability and included in other accrued liabilities in the accompanying consolidated balance sheets. The cost for local advertising for Company-operated restaurants is expensed as incurred. Advertising costs of \$911 and \$1,183 are included in the consolidated statements of operations for the years ended December 30, 2018 and December 31, 2017, respectively.

Leases and Deferred Straight-line Rent Payable

JRG leases all its restaurant properties. Leases are evaluated and classified as operating or capital leases for financial reporting purposes. The lease term used for lease evaluation includes option periods only in instances in which the exercise of the option period can be reasonably assured and failure to exercise such options would result in an economic penalty. Leasehold improvements that are acquired subsequent to the inception of a lease are amortized over the lesser of the useful life of the asset or a term that includes option periods that are reasonably assured at the date of the purchase.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Leases and Deferred Straight-line Rent Payable - Continued

For leases that contain rent escalations, JRG records the total rent payable during the lease term on a straight-line basis over the term of the lease and records the difference between the rents paid and the straight-line rent as deferred rent payable.

Certain leases contain provisions that require additional rental payments based upon restaurant sales volume ("Contingent Rent"). Contingent Rent is accrued each period as the liabilities are incurred utilizing prorated periodic sales targets.

Commitments and Contingencies

Liabilities for loss contingencies which arise from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this Update. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date, in response to stakeholders' requests to defer the effective date of the guidance in Update 2014-09. The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. The amendments in this Update are effective for the Company's annual reporting periods beginning after December 15, 2018. Early application is not permitted, although a nonpublic entity may elect to apply this guidance earlier, based on certain criteria. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which does not change the core principle of the Topic 605, but instead clarifies the implementation guidance on principal versus agent considerations. JRG is still reviewing the guidance to determine the impact on the consolidated financial statements.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 2 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued**New Accounting Pronouncement - Continued**

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes*. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. JRG has implemented this pronouncement early as permitted, and applied it to the current year presentation. It does not have a material impact on the financial statements.

In February 2016, the FASB released ASU 2016-02, *Leases*, completing its project to overhaul lease accounting. The ASU codifies ASC 842, *Leases*, which will replace the guidance in ASC 840. The new guidance is effective for the Company in 2020. Early adoption is permitted for all entities. Under the revised guidance, lessees will be required to recognize most leases "on balance sheet." The new guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as "capital" and "operating" leases for lessees. Lessors will focus on whether control of the underlying asset has transferred to the lessee to assess lease classification. A new definition of a "lease" could cause some contracts formerly accounted for under ASC 840 to fall outside the scope of ASC 842, and vice versa. JRG is still reviewing the guidance to determine the impact on the consolidated financial statements.

NOTE 3 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following:

	December 30, 2018	December 31, 2017
Prepaid rent	\$ 7	\$ 512
Prepaid insurance	139	293
Other prepaid expenses	224	234
Total	<u>\$ 370</u>	<u>\$ 1,039</u>

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 30, 2018	December 31, 2017
Leasehold improvements	\$ 2,686	\$ 5,352
Restaurant equipment	1,974	3,308
Assets under capital leases	77	77
Office equipment & furniture	139	411
Computers & software	44	432
Construction-in-process	110	1
	5,030	9,581
Less: Accumulated depreciation	(2,285)	(3,706)
Total	\$ 2,745	\$ 5,875

Major renewals and improvements that extend the useful life of an asset are capitalized. Replacements and maintenance and repairs which do not extend the lives of the assets are expensed as incurred. Depreciation expense was \$1,182 and \$1,409 for the years ended December 30, 2018 and December 31, 2017, respectively.

NOTE 5 - OTHER ASSETS

Other assets consisted of the following:

	December 30, 2018	December 31, 2017
Long-term franchise receivable	\$ 24	\$ 24
Certificate of deposit - restricted	72	72
Security deposits and other	20	18
Other assets	8	-
Total	\$ 124	\$ 114

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements -- Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 6 - INTANGIBLE ASSETS, NET

Intangible assets, net and their respective amortization years as of December 30, 2018 were:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Domestic franchise agreements (15 years)	\$ -	\$ -	\$ -
International franchise agreements (13.5 years)	2,070	(575)	1,495
Trade names and trademarks (14.5 years)	49,787	(15,487)	34,300
Favorable leasehold assets (over each lease life)	-	-	-
	<u>\$ 51,857</u>	<u>\$ (16,062)</u>	<u>\$ 35,795</u>
Unamortizable intangible assets:			
Goodwill	<u>\$ 7,393</u>		

Intangible assets and their respective amortization years as of December 31, 2017 were:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Domestic franchise agreements (15 years)	\$ 2,710	\$ (823)	\$ 1,887
International franchise agreements (20 years)	2,070	(472)	1,598
Trade names and trademarks (20 years)	55,730	(12,700)	43,030
Favorable leasehold assets (over each lease life)	79	(69)	10
	<u>\$ 60,589</u>	<u>\$ (14,064)</u>	<u>\$ 46,525</u>
Unamortizable intangible assets:			
Goodwill	<u>\$ 14,869</u>		

JRG amortization expense included in depreciation and amortization on the consolidated statements of operations was \$3,079 and \$3,030, net of \$2 and \$49 of amortization of unfavorable lease liability, for the years ended December 30, 2018 and December 31, 2017, respectively. For the year ending December 30, 2018 JRG had goodwill impairment expense of \$7,476, trade names and trademarks impairment expense \$5,943, and domestic franchise agreements impairment expense of \$1,706, which was the complete net book value at December 30, 2018. The December 30, 2018 Gross amounts were reduced by the impairment expense.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 6 - INTANGIBLE ASSETS, NET - Continued

Future amortization expense related to these intangible assets as of December 30, 2018 is:

2019	\$	3,596
2020		3,596
2021		3,596
2022		3,596
2023		3,596
Thereafter		17,815
	\$	<u>35,795</u>

NOTE 7 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 30, 2018	December 31, 2017
Gift cards outstanding	\$ 487	\$ 469
Accrued taxes	186	219
Accrued disposition reserves	313	-
Lease termination payable	391	-
Other	972	1,849
Total	<u>\$ 2,349</u>	<u>\$ 2,537</u>

NOTE 8 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	December 30, 2018	December 31, 2017
Accrued rent	\$ 492	\$ 574
Accrued disposition reserves	1,247	-
Other	-	2
Total	<u>\$ 1,739</u>	<u>\$ 576</u>

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 9- DEBT

As of December 30, 2018, the Company has four related-party, payment in kind ("PIK") secured promissory note agreements; one with FIC Holdings, LLC (formerly with Friendly's Ice Cream, LLC), a second with Sun Ice Cream Finance, LP, a third note with Sundae Group Holdings I, LLC was issued on June 20, 2016 in conjunction with the settlement of the term debt with Cerberus Business Finance ("Senior Debt"), and a fourth with Sun Ice Cream Finance III, LP was issued on December 28, 2017 in conjunction with a payment of the due to affiliates balance.

The first PIK note with Friendly's Ice Cream, LLC was assumed by FIC Holdings, LLC on June 20, 2016 when Friendly's Ice Cream, LLC merged with FIC Holdings, LLC. The note was issued on June 6, 2013, with a principal balance of \$14,000 and a maturity date of June 6, 2018, as part of the Acquisition. Interest on the note is payment in kind and interest compounds annually by adding the accrued and unpaid interest to the principal amount of the note and accruing interest on the increased principal amount thereafter. Payment of the note and the associated accrued interest are due upon maturity of the note. Prepayments can be made at any time. Interest accrues on the principal amount of the note at a rate equal to 1.73% per annum. On January 16, 2018 the maturity date of the note was extended to June 6, 2019. During 2018 the outstanding balance was paid down using additional borrowings of \$13,210 from the Sun Ice Cream Finance III, LP note. Accrued PIK interest of \$2 and \$148 and principal amounts of \$2,073 and \$14,994 are included on the consolidated balance sheets as of December 30, 2018 and December 31, 2017, respectively. The remaining balance and accrued interest have been paid in January 2019 with additional funds borrowed against the Sun Ice Cream Finance III LP note.

The second PIK note with Sun Ice Cream Finance, LP has a principal balance of \$12,600 and was issued on June 6, 2013, with a maturity date of April 24, 2018, as part of the Acquisition. Interest on the note is payment in kind. Payment of the note and the associated accrued interest are due upon maturity of the note. Prepayments can be made at any time. Interest will accrue on the unpaid principal amount at a rate equal to LIBOR plus 4.75% per annum and compound quarterly. On the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. On February 28, 2018 the maturity date of the note was extended to June 6, 2019. Accrued PIK interest of \$329 and \$9 and principal amounts of \$17,680 and \$16,791 are included on the consolidated balance sheets as of December 30, 2018 and December 31, 2017, respectively. On March 7, 2019 the maturity date of the note was extended to June 6, 2021 and the interest rate was changed to LIBOR plus 5.00% per annum.

On June 20, 2016 Neapolitan Group Holdings, LLC issued a new PIK note to Johnny Rockets Holding Co., JR Group Holdings, LLC and JRG as obligor with a maturity date of June 20, 2021. The note with a principal balance of \$41,045 was issued in exchange for the complete \$40,255 principal and interest due on the Cerberus Credit Facility and \$790 in accrued Consulting fees due to Sun Capital Partners Management V, LLC. The Cerberus debt was paid in full by Neapolitan from the proceeds collected from the sale of other affiliated subsidiaries. Following the issuance of the note Neapolitan assigned the note to Sundae Group Holdings I, LLC the new parent of Johnny Rockets Holding Co. Interest will accrue on the unpaid principal amount at a rate equal to 9.75% per annum and compound quarterly. On the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. Accrued PIK interest of \$1,283 and \$38 and principal amounts of \$51,097 and \$47,544 are included on the consolidated balance sheets as of December 30, 2018 and December 31, 2017, respectively.

The Johnny Rockets Group, Inc. and Subsidiaries:

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 9 – DEBT – Continued

On December 18, 2017 Sun Ice Cream Finance III, LP. Issued a new PIK note to Johnny Rockets Holding Co., JR Group Holdings, LLC and JRG as obligor with a maturity date of December 18, 2022. The note with a principal balance of \$3,174 was issued to fund the payment of the due to affiliates balance. Interest will accrue on the unpaid principal amount at a rate equal to 10% per annum and compound quarterly on the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. On January 16, 2018 the agreement was amended to allow for additional term loans up to \$19,000 at the discretion of the lender. In 2018 there was additional borrowings of \$13,868. The funds were used to pay down the FIC Holdings, LLC note and fund the buyout of non-performing restaurant leases. Accrued PIK interest of \$405 and \$3 and principal amounts of \$17,678 and \$3,184 are included on the consolidated balance sheets as of December 30, 2018 and December 31, 2017, respectively.

JRG had a note payable with the landlord of its new corporate office space for \$87. The funds were used to pay the costs associated with moving to the new office location. The note has an 8% interest rate is payable in 96 equal monthly payments with the final payment due April 1, 2024. The balance at December 31, 2017 was \$73. In 2018 this note was paid off in conjunction with the early termination of the lease.

JRG has issued a letter of credit for \$72 to the landlord of one of the corporate restaurants. In conjunction with the letter of credit the bank required JRG to deposit \$72 in a certificate of deposit as collateral. The certificate is included in other assets.

Debt consisted of the following:

	December 30, 2018	December 31, 2017
Payment in kind note (related party)	\$ 88,528	\$ 82,513
Accrued interest on payment in kind note	2,019	198
Total related party debt	90,547	82,711
Third party loan	-	73
Total debt	90,547	82,784
Less: current portion	-	(9)
Long-term debt	<u>\$ 90,547</u>	<u>\$ 82,775</u>

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 9 – DEBT - Continued

Annual maturities of total debt as of December 30, 2018 are as follows:

Year	Amount
2019	\$ -
2020	-
2021	70,389
2022	20,158
2023	-
Thereafter	-
	<u>\$ 90,547</u>

NOTE 10 - LEASES

JRG leases its restaurant facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2029. Certain leases provide for monthly rent expense equal to a fixed payment plus a variable amount calculated using net sales over a breaking point. Certain leases are subject to annual adjustments for inflation and contain renewal options. Rent expense is recorded on a straight-line basis over the term of the lease. JRG's rent expense for the years ended December 30, 2018 and December 31, 2017 was approximately \$4,335 and \$5,051, respectively, (including contingent rental amounts of approximately \$222 and \$151 for the years ended December 30, 2018 and December 31, 2017, respectively and early lease termination amount for one location of approximately \$110 in fiscal 2017).

JRG subleases certain facilities in connection with franchising. Sublease rental income is recorded on a straight-line basis over the term of the sublease. JRG's sublease rent income for the year ended December 30, 2018 and December 31, 2017 was approximately \$718 and \$869, respectively, and is recorded in initial franchise fees and rental income in the consolidated statements of operations.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 10 – LEASES – Continued

Future minimum lease payments and amounts to be received as lessor or sublessor under non-cancelable leases related to continuing operations with an original term in excess of one year as of December 30, 2018 are:

Year	Operating Leases	Capital Leases	Sub-lease income
2019	\$ 2,266	19	95
2020	2,175	19	-
2021	1,983	19	-
2022	1,950	11	-
2023	1,809	-	-
Thereafter	5,287	-	-
	<u>\$ 15,470</u>	<u>68</u>	<u>\$ 95</u>
Less amounts representing interest		(11)	
Present value of minimum lease payments		57	
Less current maturities of capital leases		(14)	
Long-term maturities of capital leases		<u>\$ 43</u>	

JRG capital leases reflected in the accompanying consolidated balance sheet have effective interest rates ranging from 10.00% to 17.00% and are payable in monthly installments through 2022. Maturities of such obligations as of December 30, 2018 were:

Year	
2019	14
2020	15
2021	17
2022	11
2023	-
Thereafter	-
Total	<u>\$ 57</u>

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 11 - INCOME TAXES

Significant components of the provision (benefit) for income taxes for the years ended December 30, 2018 and December 31, 2017 are as follows:

	December 30, 2018	December 31, 2017
Current provision:		
Federal	\$ (15)	\$ (69)
State	10	(6)
Foreign	816	689
Total current	<u>811</u>	<u>614</u>
Deferred benefit:		
Federal	15	(3,272)
State	(439)	(300)
Total deferred	<u>(424)</u>	<u>(3,572)</u>
Income tax expense (benefit)	<u>\$ 387</u>	<u>\$ (2,958)</u>

The effective tax rate differs from the statutory rate due principally to nondeductible items, Federal Insurance Contributions Act tax credit, valuation allowance, foreign tax withholding and state income taxes.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 11 - INCOME TAXES - Continued

Deferred tax assets and liabilities are determined as the difference between the consolidated financial statement and tax basis of the assets and liabilities multiplied by the enacted tax rates in effect for the year in which the differences are expected to reverse. Significant deferred tax assets (liabilities) at December 30, 2018 and December 31, 2017 were:

	December 30, 2018	December 31, 2017
Deferred tax assets:		
Operating loss carryforwards	\$ 5,841	\$ 4,385
Tax credit carryforwards	9,136	8,408
Property and equipment	714	974
Accrued expenses	598	543
Interest expense	3,146	1,397
Other	763	375
Total deferred tax assets	20,198	16,082
Deferred tax liabilities:		
Intangible assets	(9,675)	(12,435)
Other	(5)	-
Total deferred tax liabilities	(9,680)	(12,435)
Net deferred tax assets (liabilities)	10,518	3,647
Valuation allowance	(10,518)	(4,071)
Net deferred tax liability	\$ -	\$ (424)

At December 30, 2018, the Company had cumulative federal and state net operating loss carryforwards totaling \$18,368 and \$29,383, respectively, which have various expiration dates some of which do not expire. In addition, the Company had alternative minimum tax (AMT) credit, foreign tax credit and general business tax credit carryforwards of approximately \$9,080. The Company's AMT credits will be refundable starting in 2018 due to the Tax Cuts and Jobs Act, and the foreign tax and general business tax credits expire at various dates through 2038.

Due to the "change of ownership" provisions of the Tax Reform Act of 1986, utilization of the Company's net operating loss carryforwards is subject to an annual limitation against taxable income in future periods. As a result of the annual limitation, a portion of these carryforwards may expire before ultimately becoming available to reduce future income tax liabilities. The Company has not performed a detailed analysis to determine the amount of any limitation.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 30, 2018 and December 31, 2017
(In thousands)

NOTE 11 - INCOME TAXES - Continued

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future income during the periods in which the related temporary differences become deductible and the NOL and tax credit carryforwards are utilizable. Based on the earnings history during the current and prior two years, management has determined that it is not more likely than not that the Company will realize the benefits of its net deferred tax assets. The Company recorded a valuation allowance of \$10,518 and \$4,071 as of December 30, 2018 and December 31, 2017, respectively.

The Tax Cuts and Jobs Act was enacted on December 22, 2017 and reduces the federal corporate tax rate to 21% effective January 1, 2018. Consequently, for the year ended December 31, 2017 the Company recorded a decrease in its deferred tax assets, deferred tax liabilities and valuation allowance of \$3,401, \$6,068 and \$2,667, respectively. Due to the existence of the valuation allowance, there was no net impact to the income tax provision from the change in federal tax rate.

JRG accounts for uncertainty in income taxes in accordance with ASC 740, Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in financial statements by prescribing a recognition threshold and measurement attribute for financial statement recognition and measurement based upon the technical merits of the position.

JRG is subject to U.S. federal income tax as well as income tax in multiple state tax jurisdictions. JRG is currently open to audit by the Internal Revenue Service for the years ended January 3, 2016 and later. JRG and its subsidiaries' state income tax returns are open to audit for the years ended December 28, 2014 and later. During 2017, the Internal Revenue Service commenced an examination of the Company's 2015 federal income tax return. On March 14, 2018 the audit was completed, and the IRS issued a No Change Letter.

NOTE 12 - RETIREMENT BENEFIT PLAN

JRG's 401(k) plan allows eligible employees to receive matching contributions of up to one thousand five hundred dollars per calendar year. To be eligible to participate in the 401(k) plan, employees must have completed one year of service with the Company, have worked a thousand hours in a 12-month period and be at least 21 years of age. The Company recorded \$25 and \$52 in expense associated with the matching contributions under the plan for the years ended December 30, 2018 and December 31, 2017, respectively.

NOTE 13 - SHAREHOLDER EQUITY

All of the outstanding stock of JRG is owned by a sole shareholder. As of December 30, 2018, ten thousand shares were authorized, with one thousand shares outstanding.

NOTE 14 - STOCK-BASED COMPENSATION

JRG adopted the Stock Option Plan (the "Plan") in 2014, which is shareholder-approved, that permits the grant of stock options to its key employees up to 90 thousand shares. JRG believes that such awards better align the interests of its employees with those of its shareholder. Option awards are granted with an exercise price determined by the Board Committee at the date of grant; those option awards generally vest based on five years of continuous service and have 10-year contractual terms. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 14 – STOCK-BASED COMPENSATION - Continued

The fair value of each option award is estimated on the date of grant using the Black-Scholes model that uses the assumptions noted in the table below. Expected volatilities are based on the historical equity volatilities of JRG's guideline public companies. JRG used the simplified method to determine the expected term given the absence of historical exercise behavior. The risk-free rate for the options is calculated based on an extrapolated yield of the five year and seven-year U.S. Treasury Bonds. Due to JRG being privately held, it estimated a Discount for Lack of Marketability ("DLOM") for the options using a put-option model.

	<u>2018</u>
Expected volatility	51.00%
Expected term (in years)	6.43
Risk-free rate	2.71%
Forfeiture rate	63.2%

A summary of option activity under the Plan as of December 30, 2018 and December 31, 2017, and changes during the years then ended is presented below:

<u>Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1, 2017	22	\$ 29.77
Exercisable at January 1, 2017	-	-
Granted	-	-
Exercised	-	-
Forfeited or expired	<u>(20)</u>	<u>29.11</u>
Outstanding at December 31, 2017	2	30.60
Exercisable at December 31, 2017	-	-
Granted	118	29.46
Exercised	-	-
Forfeited or expired	<u>(36)</u>	<u>30.63</u>
Outstanding at December 30, 2018	84	\$ 28.99
Exercisable at December 30, 2018	-	-

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 30, 2018 and December 31, 2017

(In thousands)

NOTE 14 – STOCK-BASED COMPENSATION - Continued

As of December 30, 2018, and December 31, 2017, there was \$345 and \$1, respectively, of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 5 years. Stock compensation expense is included in general and administrative expenses.

NOTE 15 - RELATED PARTY TRANSACTIONS

JRG has four subordinated secured promissory note agreements payable to related parties (See Note 9).

The Company has a Consulting Services Agreement (the “Consulting Agreement”) with Sun Capital Partners Management V, LLC, a Delaware limited liability company (the “Consultant”), an investment fund affiliated with the Parent. This agreement was modified effective June 20, 2016 reducing the required minimum fees going forward from \$750 or 5% of EBITDA including a waiver of previously accrued fees to the following. The Consultant is paid annual fees (the “Consulting Fee”) equal to the greater of (i) \$350 (the “Yearly Minimum Fee”) or (ii) the lesser of (x) 4.0% (such percentage, the “Applicable Percentage”) of EBITDA as defined in the agreement for the applicable fiscal year and (y) \$450 in any fiscal year (the “Annual Cap”). The Company pays the Consulting Fee in quarterly installments in advance equal to the greater of (i) twenty five percent (25%) of the Yearly Minimum Fee or (ii) the Applicable Percentage of EBITDA for the immediately preceding fiscal quarter. The agreement was modified again on April 27, 2017 reducing the Yearly Minimum Fee to \$280,000, the Applicable Percentage to 3.2% and the Annual Cap to \$360,000. Additionally, the Consultant is reimbursed for the cost of all reasonable out-of-pocket fees and expenses incurred by the Consultant and its affiliates in the performance of services covered by the Consulting Agreement and all matters related thereto. The Company reimburses such expenses on a quarterly basis in arrears. Consulting Fees of \$280 and \$316 and expense reimbursements of \$35 and \$25 were recorded as general and administrative expenses for the years ended December 30, 2018 and December 31, 2017, respectively.

JRG entered into a shared services agreement on July 27, 2016 with FIC Restaurants, Inc (FIC). FIC has the same parent company Sundae Group Holdings I, LLC. This agreement is designed to allow both Companies to utilize common management and support functions to make both groups more cost effective. The agreement provides guidelines on how to allocate the costs of these services between each entity. Net expenses of \$3,640 and \$1,946 were allocated to JRG for the years ended December 30, 2018 and December 31, 2017, respectively. With JRG closing their corporate offices in 2018 the JRG employees are now working from the FIC corporate offices. In 2019 JRG will be allocated rent and overhead costs.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

JRG is party to various legal proceedings arising in the ordinary course of business which management believes, after consultation with legal counsel, will not have a material adverse effect on JRG's consolidated financial position or future operating results. JRG had a wage and hour action filed against it that was settled in March 2017 for \$280.

NOTE 17 - SUBSEQUENT EVENTS

JRG has evaluated subsequent events through the date of issuance, May 15, 2019, and identified no events requiring adjustment to or disclosure in these consolidated financial statements.

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

**The Johnny Rockets Group, Inc. and
Subsidiaries**

As of and for the years ended December 31, 2017
and January 1, 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Managers

The Johnny Rockets group, Inc.

We have audited the accompanying consolidated financial statements of The Johnny Rockets group, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and January 1, 2017, and the related consolidated statements of operation, shareholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Johnny Rockets group, Inc. and subsidiaries as of December 31, 2017 and January 1, 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Hartford, Connecticut
March 30, 2018

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Dollar amounts in thousands)

	December 31, 2017	January 1, 2017
Assets		
Current assets:		
Cash	\$ 52	\$ 190
Franchise fees receivable, net of allowance doubtful accounts	2,756	3,016
Inventories	148	225
Other trade receivables	534	491
Other current assets	1,062	1,054
Total current assets	4,552	4,976
Property and equipment, at cost:		
Furniture, fixtures and equipment	4,228	4,823
Leasehold improvements	5,352	5,829
Construction in progress	1	970
Total property and equipment, at cost	9,581	11,622
Less accumulated depreciation	(3,706)	(3,201)
Net property and equipment	5,875	8,421
Other assets:		
Goodwill	14,869	16,677
Intangible assets, net	46,525	49,664
Other assets	114	985
Total other assets	61,508	67,326
Total assets	\$ 71,935	\$ 80,723

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets - Continued

(Dollar amounts in thousands)

Liabilities and Shareholder's Equity (Deficit)

Current liabilities:			
Accounts payable	\$	1,434	\$ 1,663
Due to affiliates		373	2,094
Accrued expenses		3,758	4,643
Accrued disposition reserves		-	182
Deferred franchise fees, current portion		341	424
Capital leases, current portion		12	-
Long-term debt, current portion		9	9
Total current liabilities		<u>5,927</u>	<u>9,015</u>
Accrued disposition reserves, net of current portion		-	20
Deferred franchise fees, net of current portion		212	277
Deferred tax liabilities		424	3,996
Capital leases, net of current portion		57	-
Long-term debt, net of current portion		64	73
Long-term debt (Sundae PIK)		47,582	43,254
Long-term debt (Friendly's PIK)		15,143	14,899
Long-term debt (Sun PIK)		16,800	15,779
Long-term debt (Sun III PIK)		3,186	-
Other long-term liabilities		576	711
Total liabilities		<u>89,971</u>	<u>88,024</u>
Commitments and contingencies (Note 12)			
Shareholder's equity (deficit):			
Common stock, \$0.01 par value: 10,000 shares authorized, 1,000 shares issued and outstanding		-	-
Additional paid-in-capital		15,866	15,863
Accumulated deficit		<u>(33,902)</u>	<u>(23,164)</u>
Total shareholder's equity (deficit)		<u>(18,036)</u>	<u>(7,301)</u>
Total liabilities and shareholder's equity (deficit)	\$	<u>71,935</u>	\$ <u>80,723</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations (Dollar amounts in thousands)

	For the Year Ended December 31, 2017	For the Year Ended January 1, 2017
Revenues:		
Restaurant sales	\$ 28,691	\$ 28,310
Franchise royalties	15,044	14,835
Initial country and franchise fees and rental income	1,937	8,239
Total revenues	45,672	51,384
Operating expenses:		
Cost of sales	7,649	7,278
Labor costs	10,170	9,596
Other restaurant operating costs	4,319	3,652
Occupancy costs	6,905	7,006
General and administrative expenses	16,200	15,382
Depreciation and amortization	4,439	4,109
Provision for impairment of long-lived assets	1,126	44
Impairment of goodwill and other intangibles	1,859	16,417
Loss on disposal of assets, net	853	232
Gain on purchase of franchise restaurant	-	(86)
Provision (recovery) for store closures	(9)	205
Total operating expenses	53,511	63,835
Loss from operations	(7,839)	(12,451)
Other expense:		
Interest expense, net	5,857	5,973
Loss before income taxes	(13,696)	(18,424)
Provision for income benefit	(2,958)	(1,271)
Net Loss	\$ (10,738)	\$ (17,153)

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholder's Equity (Deficit)

(Dollar amounts in thousands, except share data)

For the years ended December 31, 2017 and January 1, 2017

	Number of shares	Common stock	Additional paid-in capital	Accumulated deficit	Total
Balance at January 3, 2016	1,000	\$ -	\$ 15,679	\$ (6,011)	\$ 9,668
Net loss				(17,153)	(17,153)
Share-based compensation	-	-	184	-	184
Balance at January 1, 2017	1,000	\$ -	\$ 15,863	\$ (23,164)	\$ (7,301)
Net Loss	-	-	-	(10,738)	(10,738)
Share-based compensation	-	-	3	-	3
Balance at December 31, 2017	1,000	\$ -	\$ 15,866	\$ (33,902)	\$ (18,036)

The accompanying notes are an integral part of these consolidated financial statements.

THE JOHNNY ROCKETS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Dollar amounts in thousands)

	For the Year Ended December 31, 2017	For the Year Ended January 1, 2017
Operating activities:		
Net Loss	\$ (10,738)	\$ (17,153)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	4,439	4,109
Amortization of capitalized financing costs	-	530
Interest expense on in-kind notes	5,605	3,714
Impairment of goodwill/ intangible assets	1,859	16,417
Provision for bad debts	141	27
Share-based compensation	3	184
Impairment loss for long-lived assets	1,126	44
Loss on disposal of assets	853	232
Provision for store closures	(202)	205
Gain on purchase of franchise restaurant	-	(86)
Deferred taxes, net	(3,572)	(1,939)
Net change in operating assets and liabilities:		
Franchise fees receivable	119	(1,175)
Inventories	77	(41)
Other receivables	(43)	(13)
Other assets	801	(1,470)
Accounts payable	(229)	295
Due to affiliates	(180)	381
Accrued expenses and other long-term liabilities	(955)	2,336
Accrued disposition reserves	-	(183)
Deferred franchise fees	(148)	(2,847)
Net cash (used in) provided by operating activities	(1,044)	3,567
Investing activities:		
Purchases of property and equipment	(716)	(4,690)
Purchase of franchise restaurant, net	-	(616)
Proceeds from sales of property and equipment	6	-
Net cash used in investing activities	(710)	(5,306)
Financing activities:		
Proceeds from issuance of debt	-	87
Principal payments on senior debt	-	(436)
Repayment of affiliate advance	(1,541)	-
Proceeds from issuance of related party debt	3,174	-
Repayments of capital lease obligations	(8)	-
Repayments of debt	(9)	-
Net cash provided by (used in) financing activities	1,616	(349)
Net decrease in cash	(138)	(2,088)
Cash, beginning of year	190	2,278
Cash, end of year	\$ 52	\$ 190
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 252	\$ 1,733
Cash paid for income taxes	\$ 25	\$ 17

Non-cash transactions:

On June 20, 2016 the former parent of Johnny Rockets Group Inc. sold an affiliated subsidiary. In conjunction with the transaction accrued management fees of \$791 and third party Cerberus loan principal and interest of \$40,255 were paid off by the parent and a new PIK note payable of \$41,046 was issued to Johnny Rockets, Inc. The note was then assigned to Sundae Group Holdings I, LLC. (Note 5)

The accompanying notes are an integral part of these consolidated financial statements.

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

For the years ended December 31, 2017 and January 1, 2017

(In thousands)

NOTE 1 - NATURE OF OPERATIONS

The Johnny Rockets Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the "Company" or "JRG") develop, operate, and franchise restaurants under the name "Johnny Rockets, The Original Hamburger." The restaurants are casual-themed, all-American style diners that primarily serve hamburgers, shakes, and American fries.

On June 6, 2013 (the "Acquisition Date"), Burger Acquisition Co. entered into a Membership Interest Purchase Agreement (the "Agreement"), whereby Burger Acquisition Co., a Delaware corporation and wholly owned subsidiary of Neapolitan Group, LLC (the "Parent"), agreed to purchase all of the outstanding membership interests of JRG Group Holdings, LLC ("JRGHL"), a Delaware limited liability company, becoming the single member of JRGHL, the parent of Johnny Rockets Group, Inc. and its subsidiaries. Neapolitan Group, LLC is also a Delaware limited liability company and a wholly owned subsidiary of Sundae Group Holdings I, LLC, a Delaware limited liability company (the "Ultimate Parent").

On June 20, 2016, the Parent of Johnny Rockets Holding Co. ("JRHC") (f/k/a Burger Acquisition Co.) distributed 100% of JRHC shares to Sundae Group Holdings I, LLC.

At December 31, 2017, there were 20 Company-owned restaurants and 369 franchised restaurants. Company-owned restaurants are located in Arizona, California, Florida, Maryland, Michigan, Nevada, New Jersey, New York, Virginia, and Washington, D.C. Franchised restaurants are located throughout the United States and in Australia, Bahrain, Bangladesh, Bolivia, Brazil, Canada, Chile, China, Columbia, Costa Rica, Cyprus, Ecuador, Germany, Guyana, Honduras, India, Indonesia, Italy, Kuwait, Malaysia, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Saudi Arabia, South Korea, Tunisia, and the United Arab Emirates.

The following is a summary of JRG's Company-operated and franchised units:

	<u>Domestic</u>	<u>International</u>	<u>Total</u>
<u>Company Units:</u>			
Beginning of the period	24	-	24
Openings	4	-	4
Acquired from (by) franchisees	1	-	1
Closings	(4)	-	(4)
End of year, January 1, 2017	25	-	25
Openings	-	-	-
Acquired from (by) franchisees	-	-	-
Closings	(5)	-	(5)
End of year, December 31, 2017	20	-	20

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 1 - NATURE OF OPERATIONS - Continued

	<u>Domestic</u>	<u>International</u>	<u>Total</u>
<u>Franchised Units:</u>			
Beginning of the period	173	152	325
Openings	18	40	58
Acquired from (by) franchisees	(1)	-	(1)
Closings	(8)	(14)	(22)
End of year, January 1, 2017	182	178	360
Openings	7	38	45
Acquired from (by) franchisees	-	-	-
Closings	(19)	(17)	(36)
End of year, December 31, 2017	170	199	369

NOTE 2 – FRANCHISE RESTAURANT ACQUISITION

In October 2016, JRG entered into a Purchase Agreement with a franchisee to acquire all rights, title, and interests in its restaurant. The total purchase price was \$620 in cash. The acquisition was accounted for under the acquisition method. The purchase price allocation resulted in \$642 of property and equipment additions, an intangible asset, reacquired franchise rights of \$60, inventory of \$4 and a bargain purchase gain of \$86. JRG assumed the in place lease which was deemed to be at market value and is accounted for as an operating lease. The Company allocated the purchase price of acquired properties to tangible and identified intangible assets based on their respective fair values. The allocation to tangible was determined using cost and market approaches, and the allocation to reacquired franchise rights was based on the excess earnings method.

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of JRG and three wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Period

JRG's fiscal year ends on the Sunday closest to December 31 in any given year.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Liquidity

In December 2017 the Company entered into a new \$3,174 credit agreement with a related party that has payment in kind interest. The funds were used to pay off the \$3,174 due to an affiliated entity and eliminates cash interest payments of \$234 annually. The principal and interest of the related party note matures in December 2022. In addition, the Company also carries other related party debt, for which the principal and interest maturity was extended to June 2019 from fiscal year 2018. None of the related party debt has financial covenants. These circumstances provide improvement to liquidity for the Company until 2019.

Management believes planned positive cash flows from operations are sufficient to support future requirements. However, if actual results are significantly different from plan, other sources of liquidity may be needed, including but not limited to obtaining additional funding, capital purchase reductions, expense reductions, and equity contributions.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates used in preparing these consolidated financial statements include revenue recognition, accounting policies, reserves, recoverability of accounts receivable, valuation of goodwill, intangible and other long-lived assets, valuation of stock-based compensation, and assumptions used in the income tax valuation allowances and tax contingency reserves. Management believes that such estimates have been based on reasonable and supportable assumptions and the resulting estimates are reasonable. Actual amounts could differ from these estimates and they may be adjusted as more information becomes available.

Revenue Recognition

The Company recognizes revenue from Company owned restaurants food and beverage sales as services are rendered and payment is received at the point of sale. Taxes collected from customers and remitted to government authorities are presented on a net basis and excluded from revenue.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
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NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Revenue Recognition-Continued

Relating to its franchising activities, the Company receives country fees, franchise fees, area development fees, and continuing royalties. The Company recognizes country fees, franchise fees and area development fees revenue when it has completed performance of substantially all obligations specified in the related underlying agreements. For domestic franchisees, completion of substantially all obligations occurs upon the opening of each restaurant specified in the underlying agreement. Obligations include site selection, construction support, and marketing support. Payments received from franchisees prior to the completion of these obligations are reflected as current and noncurrent deferred franchise fees in the accompanying consolidated balance sheets. For international franchisees, the Company completes substantially all obligations prior to and upon entering into an area development agreement. However, each agreement is reviewed to ensure proper revenue recognition. Royalties are generally contractually earned at amounts equal to approximately 5% of franchised restaurant net sales and are recognized as such sales occur.

Gift Cards

The Company sells gift cards primarily at restaurant locations and are redeemable at the Company's locations. The gift cards sold have no stated expiration dates and are subject to potential escheatment laws in the various jurisdictions in which the Company operates. Deferred gift card income is recorded in accrued expenses on the consolidated balance sheets. The Company recognizes revenue from gift cards when it is redeemed by the customer.

Preopening Costs

Preopening costs, which consist of payroll, supplies, and other direct expenses incurred in connection with opening new restaurants, are expensed as incurred.

Cash

JRG maintains cash balances at financial institutions, and at times, balances may exceed federally insured limits. JRG has never experienced any losses related to these balances. Short-term liquid investments with original maturities of three months or less at the time of purchase are reported as cash equivalents and are carried at cost.

Fair Value of Financial Instruments

The carrying amounts of JRG's cash, receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of JRG's debt obligations approximates fair value due to the length of the maturities, terms and/or due to the interest rates on these obligations not being significantly different from the current market rates available to JRG.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
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NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Franchise Fees Receivables and Allowance for Doubtful Accounts

Receivables from franchisees include royalties and contractual marketing fees associated with the franchise agreements. Franchise fees receivables are stated at cost less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a charge to earnings based on a percentage of the outstanding balance and an assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. For the year ended December 31, 2017 the Company wrote off \$4 of receivables. There were no write-offs for the year ended January 1, 2017. There were allowances for doubtful accounts of \$210 and \$73 as of December 31, 2017 and January 1, 2017, respectively.

At December 31, 2017, one customer accounted for more than 29% of accounts receivable. At January 1, 2017 one customer accounted for more than 10% of accounts receivable. No individual customer accounted for more than 10% of consolidated revenue from continuing operations for the years and December 31, 2017 and January 1, 2017.

Concentrations of Risk

JRG's financial instruments that are exposed to concentrations of credit risk consist primarily of cash in financial institutions. JRG places its cash with high credit quality institutions. At times, such deposits may be in excess of the FDIC insurance limit. JRG has not experienced any losses and does not believe it is exposed to any significant risk on cash. In addition, JRG is subject to credit risk through franchise receivables; however, JRG periodically evaluates the financial strength of its franchisees and believes its allowance for doubtful accounts and management of accounts are adequate to cover its credit risk exposure.

JRG currently relies on a single supplier to distribute food, packaging, and supplies to restaurants. Although they could use alternative distributors, a change in distributor could cause a delay in receipt of food, packaging, or supplies and possibly result in lost sales, which could adversely impact the results of operations.

Inventories

Inventories, consisting principally of food and beverages, are stated at the lower of cost (first in, first out method) or market value. Inventories are reviewed for spoilage and excess or obsolete products and reserved accordingly.

Long-lived Assets

Long-lived assets, such as property and equipment, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances that require a long-lived asset or asset group to be tested for possible impairment, JRG first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements --Continued
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(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Long-lived Assets-Continued

Whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable, JRG will test the restaurant for impairment. JRG evaluates restaurants by reviewing historical cash flows and reviews estimates of future cash flows, assumptions of future same-store sales and projected operating expenses. Based on the best information available, it writes down the assets of an impaired restaurant to its estimated fair market value, which becomes the new cost basis. Estimated fair market value is based on its experience selling similar properties and local market conditions, less cost to sell, for properties to be disposed of. In addition, restaurants scheduled for closing are reviewed for impairment and depreciable lives are adjusted. The impairment evaluation is based on the estimated cash flows from continuing use through the expected disposal date, and the expected terminal value.

The Company recorded impairment expense of \$1,126 and \$44 for the years ended December 31, 2017 and January 1, 2017, respectively.

For the finite-lived intangible assets JRG determined there were no events or circumstances that indicated the assets may be impaired except for the reacquired franchise rights recorded in 2016 as part of the purchase of a franchise restaurant. The location was closed permanently in 2017 and the remaining carrying value of \$51 was written off for the year ended December 31, 2017.

Provision for Store Closures

Store closure costs include costs of disposing of the assets as well as other facility-related expenses and are expensed as incurred. Additionally, at the date of the closure, JRG records a liability for any remaining operating lease obligations after the expected closure date, net of estimated sublease income, if any.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, closure costs and sublease income. Accordingly, actual results could vary significantly from estimates.

Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease terms. For leases with renewal periods at JRG's option, JRG generally uses the original lease term, excluding the option periods, to determine estimated useful lives. If failure to exercise a renewal option imposes an economic penalty on JRG, such that management determines at the inception of the lease that renewal is reasonably assured, JRG includes the renewal option period in the determination of appropriate estimated useful lives.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Property and Equipment-Continued

The estimated useful service lives are as follows:

Furniture, fixtures, and equipment	5 to 7 years
Computer	1 to 3 years
Leasehold improvements	Estimated useful life limited by the lease term

Major renewals and improvements that extend the useful life of an asset are capitalized. Replacements and maintenance and repairs which do not extend the lives of the assets are expensed as incurred. Depreciation expense was \$1,409 and \$1,126 for the years ended December 31, 2017 and January 1, 2017, respectively.

Smallwares, including plates, glassware, and silverware, are capitalized and included in property and equipment when a restaurant is initially opened. Smallwares are not depreciated and subsequent replacements of smallwares are expensed when purchased. Periodically, JRG evaluates the reasonableness of the smallwares balances to determine that their carrying value approximates replacement cost.

Goodwill and Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized, they are subject to annual impairment testing. JRG has goodwill with an indefinite life, which is all attributable to the franchise reporting unit. Trade names, which the majority is allocated to the franchise reporting unit and a small portion is allocated to the corporate restaurant reporting unit, domestic franchise agreements, international franchise agreements and reacquired franchise rights are finite-lived intangible assets that are being amortized over estimated lives of 20, 15, 20 and 8 years, respectively. The Company performs its annual impairment testing on the anniversary date of the acquisition and annually thereafter, or more frequently if events and circumstances indicate that the asset might be impaired. The goodwill impairment test employed by the Company includes quantitative and qualitative assessments. In January 2017, the FASB released Accounting Standards Update No. 2017-04 Simplifying the Test for Goodwill Impairment (ASU 2017-04). This new guidance specifies that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The FASB also eliminated the requirements to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. An entity should apply the amendments in this update on a prospective basis. JRG adopted this amendment for the 2017 impairment analysis by performing the quantitative assessment for the franchise reporting unit. Fair value of the reporting unit is determined using a discounted cash flow analysis and a market multiple approach. This resulted in the carrying value exceeding the FMV of the unit and an impairment of \$1,808 being recorded for the year ended December 31, 2017. Prior to the adoption of ASU 2017-04 JRG calculated the 2016 impairment and under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill).

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
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(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Goodwill and Intangible Assets-Continued

If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis and a market multiple approach. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. The Company performed a step one analysis for the 2016 annual goodwill impairment test because of changes in general business conditions and revised business forecasts. The results of the analysis determined that the fair value of the franchise reporting unit was less than its carrying value. Then based on the step two discounted cash flows analysis the Company recorded \$16,417 impairment for the year ended January 1, 2017.

Deferred Financing Charges

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as amended by ASU 2015-15, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. This standard became effective for the Company on January 1, 2016.

Amounts capitalized related to financing costs are required to be amortized over the lives of the respective borrowings using an effective interest method. However, the straight line method can be applied if the differences resulting from its application when compared to the effective interest rate method are not material. The remaining financing costs of \$530 were expensed for the year ended January 1, 2017 due to the third party financing being paid in full.

Reclassifications

We have reclassified certain amounts in the January 1, 2017 statements to conform to our current year presentation. There has been no change to the net loss previously reported.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
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(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Other Current Assets

Other current assets consisted of the following:

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Prepaid rent	\$ 512	\$ 498
Prepaid insurance	293	313
Other prepaid expenses	257	243
Total	<u>\$ 1,062</u>	<u>\$ 1,054</u>

Other Assets

Other assets consisted of the following:

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Long-term franchise receivable	\$ 24	\$ 833
Certificate of deposit - restricted	72	72
Security deposits and other	18	80
Total	<u>\$ 114</u>	<u>\$ 985</u>

Accrued Expenses

Accrued expenses consisted of the following:

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Accrued salaries and benefits	\$ 1,225	\$ 1,587
Gift cards outstanding	469	460
Accrued taxes	243	350
Legal provisions	47	417
Other	1,774	1,829
Total	<u>\$ 3,758</u>	<u>\$ 4,643</u>

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
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(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Accrued Disposition Reserves

JRG records a liability, net of estimated sublease income, for the remaining minimum lease payments associated with closed stores on the cease-use date. The liability is included in the accrued disposition reserves. As of December 31, 2017, there was no reserve remaining.

The following is a summary of activity of accrued disposition reserves:

Disposition reserves at January 1, 2017	\$ 202
Recovery from store closures	(9)
Payments	(193)
Disposition reserves at December 31, 2017	<u>\$ -</u>

Income Taxes

JRG accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

JRG records deferred tax assets to the extent it believes there will be sufficient future taxable income to utilize those assets prior to their expiration. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. To the extent deferred tax assets may be unable to be utilized, JRG records a valuation allowance against the potentially unrealizable amount and records a charge against earnings. The calculation of JRG tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. JRG is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions. In evaluating the exposure associated with various filing positions, JRG records estimated reserves for probable exposures.

Due to ever-changing tax laws and income tax rates, significant judgment is required to estimate the effective tax rate that will apply to tax differences that are expected to reverse in the future. JRG must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded. These estimates could have a significant impact on the consolidated financial statements.

JRG recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. JRG has \$0 and \$12 accrued for interest or penalties as of December 31, 2017 and January 1, 2017, respectively.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
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NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Advertising

JRG has its Company-operated and franchised restaurants share in the cost of various advertising and marketing programs. Advertising and marketing contributions are generally determined based on a percentage of revenues and contributed ratably throughout the year.

To the extent contributions exceed advertising and promotional expenditures, the unspent contributions are recorded as a liability and included in other accrued liabilities in the accompanying consolidated balance sheets. The cost for local advertising for Company-operated restaurants is expensed as incurred. Advertising costs of \$1,183 and \$892 are included in the consolidated statements of operations for the years ended December 31, 2017 and January 1, 2017, respectively.

Leases and Deferred Straight-line Rent Payable

JRG leases all its restaurant properties. Leases are evaluated and classified as operating or capital leases for financial reporting purposes. The lease term used for lease evaluation includes option periods only in instances in which the exercise of the option period can be reasonably assured and failure to exercise such options would result in an economic penalty. Leasehold improvements that are acquired subsequent to the inception of a lease are amortized over the lesser of the useful life of the asset or a term that includes option periods that are reasonably assured at the date of the purchase.

For leases that contain rent escalations, JRG records the total rent payable during the lease term on a straight-line basis over the term of the lease and records the difference between the rents paid and the straight-line rent as deferred rent payable.

Certain leases contain provisions that require additional rental payments based upon restaurant sales volume ("Contingent Rent"). Contingent Rent is accrued each period as the liabilities are incurred utilizing prorated periodic sales targets.

Favorable Lease Asset and Unfavorable Lease Liability

The favorable lease asset relates to one lease as of December 31, 2017 and is being amortized over the remaining term of the underlying lease. On the consolidated balance sheets, the favorable lease asset is recorded in intangible assets, net.

The unfavorable lease liability relates to one lease as of December 31, 2017 and is being amortized over the remaining term of the underlying lease. On the consolidated balance sheets, the unfavorable lease liability is recorded in other long-term liabilities.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements -- Continued
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NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

Favorable Lease Asset and Unfavorable Lease Liability-Continued

The following table shows the estimated amortization expense for the years after December 31, 2017:

	2018
Favorable lease asset	\$ 10
Unfavorable lease liability	<u>(1)</u>
Net amortization expense	<u>\$ 9</u>

Commitments and Contingencies

Liabilities for loss contingencies which arise from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this Update. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date, in response to stakeholders' requests to defer the effective date of the guidance in Update 2014-09. The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. The amendments in this Update are effective for the Company's annual reporting periods beginning after December 15, 2018. Early application is not permitted, although a nonpublic entity may elect to apply this guidance earlier, based on certain criteria. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which does not change the core principle of the Topic 605, but instead clarifies the implementation guidance on principal versus agent considerations. JRG is still reviewing the guidance to determine the impact on the consolidated financial statements.

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Notes to Consolidated Financial Statements - Continued
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(In thousands)

NOTE 3 - SUMMARY OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
- Continued

New Accounting Pronouncement-Continued

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. JRG has implemented this pronouncement early as permitted and applied it to the current year presentation. It does not have a material impact on the financial statements.

In February 2016, the FASB released ASU 2016-02, *Leases*, completing its project to overhaul lease accounting. The ASU codifies ASC 842, *Leases*, which will replace the guidance in ASC 840. The new guidance is effective for the Company in 2020. Early adoption is permitted for all entities. Under the revised guidance, lessees will be required to recognize most leases "on balance sheet." The new guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as "capital" and "operating" leases for lessees. Lessors will focus on whether control of the underlying asset has transferred to the lessee to assess lease classification. A new definition of a "lease" could cause some contracts formerly accounted for under ASC 840 to fall outside the scope of ASC 842, and vice versa. JRG is still reviewing the guidance to determine the impact on the consolidated financial statements.

NOTE 4 - INTANGIBLE ASSETS, NET

Intangible assets, net and their respective amortization years as of December 31, 2017 were:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Domestic franchise agreements (15 years)	\$ 2,710	\$ (823)	\$ 1,887
International franchise agreements (20 years)	2,070	(472)	1,598
Trade names and trademarks (20 years)	55,730	(12,700)	43,030
Favorable leasehold assets (over each lease life)	79	(69)	10
Reacquired franchise rights (8 years)	-	-	-
	<u>\$ 60,589</u>	<u>\$ (14,064)</u>	<u>\$ 46,525</u>
Unamortizable intangible assets:			
Goodwill	<u>\$ 14,869</u>		

The Johnny Rockets Group, Inc. and Subsidiaries
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NOTE 4 - INTANGIBLE ASSETS, NET-Continued

Intangible assets and their respective amortization years as of January 1, 2017 were:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Domestic franchise agreements (15 years)	\$ 2,710	\$ (643)	\$ 2,067
International franchise agreements (20 years)	2,070	(368)	1,702
Trade names and trademarks (20 years)	55,730	(9,913)	45,817
Favorable leasehold assets (over each lease life)	79	(59)	20
Reacquired Franchise rights (8 years)	60	(2)	58
	<u>\$ 60,649</u>	<u>\$ (10,985)</u>	<u>\$ 49,664</u>
Unamortizable intangible assets:			
Goodwill	<u>\$ 16,677</u>		

JRG amortization expense included in depreciation and amortization on the consolidated statements of operations was \$3,030 and \$2,983, net of \$49 and \$100 of amortization of unfavorable lease liability, for the years ended December 31, 2017 and January 1, 2017, respectively.

Future amortization expense related to these intangible assets as of December 31, 2017 is:

	<u>Intangible Assets</u>	<u>Lease Asset</u>	<u>Total</u>
Fiscal years ending:			
2018	\$ 3,071	\$ 10	\$ 3,081
2019	3,071	-	3,071
2020	3,071	-	3,071
2021	3,071	-	3,071
2022	3,071	-	3,071
Thereafter	<u>31,160</u>	<u>-</u>	<u>31,160</u>
	<u>\$ 46,515</u>	<u>\$ 10</u>	<u>\$ 46,525</u>

The Johnny Rockets Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - Continued

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(In thousands)

NOTE 5 - DEBT

As of December 31, 2017, the Company has four related-party, payment in kind ("PIK") secured promissory note agreements, one with FIC Holdings, LLC (formerly with Friendly's Ice Cream, LLC), a second with Sun Ice Cream Finance, LP, a third note with Sundae Group Holdings I, LLC was issued on June 20, 2016 in conjunction with the settlement of the term debt with Cerberus Business Finance ("Senior Debt"), and a fourth with Sun Ice Cream Finance III, LP was issued on December 28, 2017 in conjunction with a payment of the due to affiliates balance.

The first PIK note with Friendly's Ice Cream, LLC was assumed by FIC Holdings, LLC on June 20, 2016 when Friendly's Ice Cream, LLC merged with FIC Holdings, LLC. The note was issued on June 6, 2013, with a principal balance of \$14,000 and a maturity date of June 6, 2018, as part of the Acquisition. Interest on the note is payment in kind and interest compounds annually by adding the accrued and unpaid interest to the principal amount of the note, and accruing interest on the increased principal amount thereafter. Payment of the note and the associated accrued interest are due upon maturity of the note. Prepayments can be made at any time. Interest accrues on the principal amount of the note at a rate equal to 1.73% per annum. A total of \$244 and \$256 of additional PIK interest was added to the principal amount for the years ended December 31, 2017 and January 1, 2017, respectively. On January 16, 2018 the maturity date of the note was extended to June 6, 2019.

The second PIK note with Sun Ice Cream Finance, LP has a principal balance of \$12,600 and was issued on June 6, 2013, with a maturity date of April 24, 2018, as part of the Acquisition. Interest on the note is payment in kind. Payment of the note and the associated accrued interest are due upon maturity of the note. Prepayments can be made at any time. Interest will accrue on the unpaid principal amount at a rate equal to LIBOR plus 4.75% per annum and compound quarterly. On the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. A total of \$1,021 and \$959 of additional PIK interest was added to the principal amount for the years ended December 31, 2017 and January 1, 2017, respectively. On February 28, 2018 the maturity date of the note was extended to June 6, 2019.

On June 20, 2016 Neapolitan Group Holdings, LLC issued a new PIK note to Johnny Rockets Holding Co., JR Group Holdings, LLC and JRG as obligor with a maturity date of June 20, 2021. The note with a principal balance of \$41,045 was issued in exchange for the complete \$40,255 principal and interest due on the Cerberus Credit Facility and \$790 in accrued Consulting fees due to Sun Capital Partners Management V, LLC. The Cerberus debt was paid in full by Neapolitan from the proceeds collected from the sale of other affiliated subsidiaries. Following the issuance of the note Neapolitan assigned the note to Sundae Group Holdings I, LLC the new parent of Johnny Rockets Holding Co. Interest will accrue on the unpaid principal amount at a rate equal to 9.75% per annum and compound quarterly. On the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. A total of \$4,328 and \$2,208 of additional PIK interest was added to the principal amount for the years ended December 31, 2017 and January 1, 2017, respectively.

On December 18, 2017 Sun Ice Cream Finance III, LP. Issued a new PIK note to Johnny Rockets Holding Co., JR Group Holdings, LLC and JRG as obligor with a maturity date of December 18, 2022. The note with a principal balance of \$3,174 was issued to fund the payment of the due to affiliates balance. Interest will accrue on the unpaid principal amount at a rate equal to 10% per annum and compound quarterly on the last business day of each quarter, the accrued interest is added to the principal amount of the PIK note. A total of \$12 of additional PIK interest was added to the principal amount for the year ended December 31, 2017. On January 16, 2018 the agreement was amended to allow for additional term loans up to \$19,000 at the discretion of the lender.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 5 – DEBT – Continued

JRG has also sign a note payable with the landlord of its new corporate office space for \$87. The funds were used to pay the costs associated with moving to the new office location. The note has an 8% interest rate is payable in 96 equal monthly payments with the final payment due April 1, 2024. The balance at December 31, 2017 was \$73.

Debt consisted of the following:

	<u>December 31,</u>	<u>January 1, 2017</u>
Payment in kind note (related party)	\$ 82,513	\$ 73,755
Accrued interest on payment in kind note	198	177
Total related party debt	82,711	73,932
Third party loan	73	82
Total debt	<u>82,784</u>	<u>74,014</u>
Less: current portion	<u>(9)</u>	<u>(9)</u>
Long-term debt	<u>\$ 82,775</u>	<u>\$ 74,005</u>

Annual maturities of total debt as of December 31, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 9
2019	31,953
2020	11
2021	47,594
2022	3,199
Thereafter	18
	<u>\$ 82,784</u>

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 6 - LEASES

JRG leases its restaurant facilities, office space, and certain equipment under non-cancelable operating leases expiring at various dates through 2029. Certain leases provide for monthly rent expense equal to a fixed payment plus a variable amount calculated using net sales over a breaking point. Certain leases are subject to annual adjustments for inflation and contain renewal options. Rent expense is recorded on a straight line basis over the term of the lease. JRG's rent expense for the years ended December 31, 2017 and January 1, 2017 was approximately \$5,051 and \$4,819, respectively, (including contingent rental amounts of approximately \$151 and \$245 for the years ended December 31, 2017 and January 1, 2017, respectively and early lease termination amounts for one location of approximately \$110 in fiscal 2017 and for two locations of approximately \$151 in fiscal 2016).

JRG subleases certain facilities in connection with franchising. Sublease rental income is recorded on a straight line basis over the term of the sublease. JRG's sublease rent income for the year ended December 31, 2017 and January 1, 2017 was approximately \$869 and \$966, respectively, and is recorded in initial franchise fees and rental income in the consolidated statements of operations.

Future minimum lease payments and amounts to be received as lessor or sublessor under non-cancelable leases related to continuing operations with an original term in excess of one year as of December 31, 2017 are:

Year	Operating Leases	Capital Leases	Sub-lease income
2018	\$ 3,487	\$ 19	\$ 266
2019	2,960	19	101
2020	2,889	19	-
2021	2,725	19	-
2022	2,711	11	-
Thereafter	8,613	-	-
	<u>\$ 23,385</u>	<u>87</u>	<u>\$ 367</u>
Less amounts representing interest		<u>(18)</u>	
Present value of minimum lease payments		69	
Less current maturities of capital leases		<u>(12)</u>	
Long-term maturities of capital leases		<u>\$ 57</u>	

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 6 – LEASES - Continued

JRG capital leases reflected in the accompanying consolidated balance sheet have effective interest rates ranging from 10.00% to 17.00% and are payable in monthly installments through 2022. Maturities of such obligations as of December 31, 2017 were:

<u>Year</u>	
2018	\$ 13
2019	14
2020	15
2021	17
2022	10
Thereafter	-
Total	<u>\$ 69</u>

NOTE 7 - INCOME TAXES

Significant components of the provision (benefit) for income taxes for the years ended December 31, 2017 and January 1, 2017 are as follows:

	<u>December 31,</u>	<u>January 1, 2017</u>
Current provision:		
Federal	\$ (69)	\$ 69
State	(6)	(1)
Foreign	689	601
Total current	<u>614</u>	<u>669</u>
Deferred benefit:		
Federal	(3,272)	(1,608)
State	(300)	(332)
Total deferred	<u>(3,572)</u>	<u>(1,940)</u>
Income tax benefit	<u>\$ (2,958)</u>	<u>\$ (1,271)</u>

The effective tax rate differs from the statutory rate due principally to nondeductible items, Federal Insurance Contributions Act tax credit, valuation allowance, foreign tax withholding and state income taxes.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 7 - INCOME TAXES-Continued

Deferred tax assets and liabilities are determined as the difference between the consolidated financial statement and tax basis of the assets and liabilities multiplied by the enacted tax rates in effect for the year in which the differences are expected to reverse. Significant deferred tax assets (liabilities) at December 31, 2017 and January 1, 2017 were:

	December 31, 2017	January 1, 2017
Deferred tax assets:		
Operating loss carryforwards	\$ 4,385	\$ 3,627
Tax credit carryforwards	8,408	7,677
Property and equipment	974	1,148
Accrued expenses	543	1,594
Other	1,772	1,575
Total deferred tax assets	<u>16,082</u>	<u>15,621</u>
Deferred tax liabilities:		
Intangible assets	<u>(12,435)</u>	<u>(19,476)</u>
Total deferred tax liabilities	<u>(12,435)</u>	<u>(19,476)</u>
Net deferred tax liabilities	3,647	(3,855)
Valuation allowance	<u>(4,071)</u>	<u>(141)</u>
Net deferred tax liability	<u>\$ (424)</u>	<u>\$ (3,996)</u>

At December 31, 2017, the Company had cumulative federal and state net operating loss carryforwards totaling \$14,024 and \$21,935, respectively, which expire at various dates through 2037. In addition, the Company had alternative minimum tax (AMT) credit, foreign tax credit and general business tax credit carryforwards of approximately \$8,388. The Company's AMT credits will be refundable starting in 2019 due to the Tax Cuts and Jobs Act, and the foreign tax and general business tax credits expire at various dates through 2037.

Due to the "change of ownership" provisions of the Tax Reform Act of 1986, utilization of the Company's net operating loss carryforwards is subject to an annual limitation against taxable income in future periods. As a result of the annual limitation, a portion of these carryforwards may expire before ultimately becoming available to reduce future income tax liabilities. The Company has not performed a detailed analysis to determine the amount of any limitation.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future income during the periods in which the related temporary differences become deductible and the NOL and tax credit carryforwards are utilizable. Based on the earnings history during the current and prior two years, management has determined that it is not more likely than not that the Company will realize the benefits of its net deferred tax assets. The Company recorded a valuation allowance of \$4,071 and \$141 as of December 31, 2017 and January 1, 2017, respectively.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 7 - INCOME TAXES-Continued

The Tax Cuts and Jobs Act was enacted on December 22, 2017 and reduces the federal corporate tax rate to 21% effective January 1, 2018. Consequently, the Company recorded a decrease in its deferred tax assets, deferred tax liabilities and valuation allowance of \$3,401, \$6,068 and \$2,667, respectively. Due to the existence of the valuation allowance, there was no net impact to the current year income tax provision from the change in federal tax rate.

Subsequent guidance was issued on Income Tax Accounting Implications of the Tax Cuts and Jobs Act directing taxpayers to consider the impact of the tax legislation as "provisional" when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. The income tax effects discussed above represent our best estimate based on interpretation of the tax legislation as we are waiting for the U.S. Treasury to issue further guidance on the application of certain provisions of the tax legislation. The income tax effects of the tax legislation discussed above are considered provisional and will be finalized before December 22, 2018.

JRG accounts for uncertainty in income taxes in accordance with ASC 740, Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in financial statements by prescribing a recognition threshold and measurement attribute for financial statement recognition and measurement based upon the technical merits of the position.

As of December 31, 2017 and January 1, 2017, the Company has recorded a liability for unrecognized tax benefits of \$0 and \$29 respectively, related to various income tax matters. The JRG recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2017 and January 1, 2017 JRG has approximately \$0 and \$12, respectively, of accrued interest and penalties, which is included as a component of the liability for unrecognized tax benefits noted above. For the year ended December 31, 2017 and January 1, 2017 no material interest and penalties were recognized in the income tax provision. JRG does not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

JRG is subject to U.S. federal income tax as well as income tax in multiple state tax jurisdictions. JRG is currently open to audit by the Internal Revenue Service for the years ended December 28, 2014 and later. JRG and its subsidiaries' state income tax returns are open to audit for the years ended December 29, 2013 and later. During 2017, the Internal Revenue Service commenced an examination of the Company's 2015 federal income tax return. On March 14, 2018 the audit was completed and the IRS issued a No Change Letter.

NOTE 8 - RETIREMENT BENEFIT PLAN

JRG's 401(k) plan allows eligible employees to receive matching contributions of up to one thousand five hundred dollars per calendar year. To be eligible to participate in the 401(k) plan, employees must have completed one year of service with the Company, have worked a thousand hours in a 12-month period and be at least 21 years of age. The Company recorded \$52 and \$44 in expense associated with the matching contributions under the plan for the years ended December 31, 2017 and January 1, 2017, respectively.

NOTE 9 - SHAREHOLDER EQUITY

All of the outstanding stock of JRG is owned by a sole shareholder. As of December 31, 2017, ten thousand shares were authorized, with one thousand shares outstanding.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 10 – STOCK-BASED COMPENSATION

JRG adopted the Stock Option Plan (the “Plan”) in 2014, which is shareholder-approved, that permits the grant of stock options to its key employees up to 90 thousand shares. JRG believes that such awards better align the interests of its employees with those of its shareholder. Option awards are granted with an exercise price determined by the Board Committee at the date of grant; those option awards generally vest based on five years of continuous service and have 10-year contractual terms. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model that uses the assumptions noted in the table below. Expected volatilities are based on the historical equity volatilities of JRG’s guideline public companies. JRG used the simplified method to determine the expected term given the absence of historical exercise behavior. The risk-free rate for the options is calculated based on an extrapolated yield of the five year and seven year U.S. Treasury Bonds. Due to JRG being privately held, it estimated a Discount for Lack of Marketability (“DLOM”) for the options using a put-option model.

	<u>2017</u>
Expected volatility	51.00%
Expected term (in years)	6.18
Risk-free rate	1.52%
Forfeiture rate	50.00%

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 10 — STOCK-BASED COMPENSATION-Continued

A summary of option activity under the Plan as of December 31, 2017 and January 1, 2017, and changes during the years then ended is presented below:

Options	Shares	Weighted Average Exercise Price
Outstanding at January 3, 2016	22	\$ 29.77
Exercisable at January 3, 2016	-	-
Granted	8	24.01
Exercised	-	-
Forfeited or expired	(8)	24.01
Outstanding at January 1, 2017	22	29.77
Exercisable at January 1, 2017	-	-
Granted	-	-
Exercised	-	-
Forfeited or expired	(20)	29.11
Outstanding at December 31, 2017	2	\$ 30.60
Exercisable at December 31, 2017	-	-

As of December 31, 2017 and January 1, 2017, there was \$1 and \$55, respectively, of total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2 years. Stock compensation expense is included in general and administrative expenses.

The Johnny Rockets Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements - Continued
For the years ended December 31, 2017 and January 1, 2017
(In thousands)

NOTE 11 - RELATED PARTY TRANSACTIONS

JRG has four subordinated secured promissory note agreements payable to related parties (See Note 5).

The Company has a Consulting Services Agreement (the "Consulting Agreement") with Sun Capital Partners Management V, LLC, a Delaware limited liability company (the "Consultant"), an investment fund affiliated with the Parent. This agreement was modified effective June 20, 2016 reducing the required minimum fees going forward from \$750 or 5% of EBITDA including a waiver of previously accrued fees to the following. The Consultant is paid annual fees (the "Consulting Fee") equal to the greater of (i) \$350 (the "Yearly Minimum Fee") or (ii) the lesser of (x) 4.0% (such percentage, the "Applicable Percentage") of EBITDA as defined in the agreement for the applicable fiscal year and (y) \$450 in any fiscal year (the "Annual Cap"). The Company pays the Consulting Fee in quarterly installments in advance equal to the greater of (i) twenty five percent (25%) of the Yearly Minimum Fee or (ii) the Applicable Percentage of EBITDA for the immediately preceding fiscal quarter. The agreement was modified again on April 27, 2017 reducing the Yearly Minimum Fee to \$280,000, the Applicable Percentage to 3.2% and the Annual Cap to \$360,000. Additionally, the Consultant is reimbursed for the cost of all reasonable out-of-pocket fees and expenses incurred by the Consultant and its affiliates in the performance of services covered by the Consulting Agreement and all matters related thereto. The Company reimburses such expenses on a quarterly basis in arrears. Consulting Fees of \$316 and \$232 and expense reimbursements of \$25 and \$69 were recorded as general and administrative expenses for the years ended December 31, 2017 and January 1, 2017, respectively.

JRG entered into a shared services agreement on July 27, 2016 with FIC Restaurants, Inc (FIC). FIC has the same parent company Sundae Group Holdings I, LLC. This agreement is designed to allow both Companies to utilize common management and support functions to make both groups more cost effective. The agreement provides guidelines on how to allocate the costs of these services between each entity. Net expenses of \$1,946 and \$369 were allocated to JRG for the years ended December 31, 2017 and January 1, 2017, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

JRG is party to various legal proceedings arising in the ordinary course of business which management believes, after consultation with legal counsel, will not have a material adverse effect on JRG's consolidated financial position or future operating results. JRG had a wage and hour action filed against it that was settled in March 2017 for \$280.

NOTE 13 - SUBSEQUENT EVENTS

JRG has evaluated subsequent events through the date of issuance, March 30, 2018, and identified no events requiring adjustment to or disclosure in these consolidated financial statements.

GUARANTY OF PERFORMANCE

For value received, The Johnny Rockets Group, Inc., located at 1855 Boston Road, Suite 300, Wilbraham, MA 01095 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties of Johnny Rockets Licensing, LLC, located at 1855 Boston Road, Suite 300, Wilbraham, MA 01095 (the "Franchisor") under its franchise registration in each state where its franchise is registered or exempt from registration, as applicable, and under its Franchise Agreement as identified in its 2019 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended, from time to time. This guaranty continues until all such obligations of the Franchisor under the franchise registration or franchise exemption (as applicable) and Franchise Agreement are satisfied or until liability of the Franchisor under the Franchise Agreement has been completely discharged, whichever first occurs. Guarantor is not discharged from liability if a claim by the franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

The Guarantor signs this guarantee at Wilbraham, Massachusetts on the 17th day of April, 2019.

Guarantor:

THE JOHNNY ROCKETS GROUP, INC.

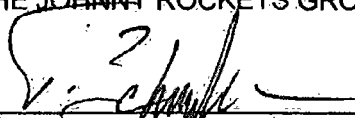

By: Todd Schwendenmann
Title: Chief Financial Officer

EXHIBIT I
ADDITIONAL INFORMATION REQUIRED BY CERTAIN STATES

**ADDENDA REQUIRED BY
CALIFORNIA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA**

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.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

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

Item 3, Additional Disclosure. The following statement is added to Item 3:

Neither JRL nor any person identified in Item 2 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.

Item 5, Additional Disclosure. The following statement is added to Item 5:

The Payment of all initial fees is postponed until after Franchisor's initial obligations are complete and the franchise is open for business.

Item 10, Additional Disclosure. The following statement is added to Item 10:

You must sign a general release of claims if you are an existing franchisee and obtain financing from us or our affiliate. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Item 17, Additional Disclosures. The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the franchise. If the Area Development Agreement or Restaurant Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Restaurant 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.*).

The Area Development Agreement and Restaurant Franchise Agreement contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release of claims if you renew or transfer your franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professional Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement contains a waiver of punitive damages and jury trial provision.

The highest rate of interest allowed by California law is 10%.

The financial performance figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

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

**RIDER TO
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. Franchisee's payment of all initial fees, including the Initial Franchise Fee, is postponed until after all of Franchisor's initial obligations are complete and the franchise is open for business.
2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**RIDER TO
AREA DEVELOPMENT AGREEMENT
FOR USE IN CALIFORNIA**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. Franchisee's payment of all initial fees, including the Area Development Fee, is postponed until after all of Franchisor's initial obligations are complete and the franchise is open for business.
2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
HAWAII**

DISCLOSURES REQUIRED BY HAWAII

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The following is added as an additional Hawaii Risk Factor on the State Cover Page:

AS A RESULT OF THE CURRENT FINANCIAL STATEMENTS FOR THE JOHNNY ROCKETS GROUP, INC. (OUR PARENT COMPANY) REFLECTING A NEGATIVE NET WORTH, THE STATE REQUIRES THE FRANCHISOR TO DEFER ALL FEES PAID TO THE FRANCHISOR OR RELATED PARTIES UNTIL ALL THE PRE-OPENING OBLIGATIONS OF THE FRANCHISOR HAVE BEEN COMPLETED AND THE FRANCHISEE IS OPEN FOR BUSINESS.

The following is added as an additional disclosure in regards to both Item 5 and Item 7 of the Franchise Disclosure Document:

Receipt of initial fees shall be deferred, including all fees paid to the franchisor or related parties, until the franchisor has completed all of their pre-opening obligations and the franchisee is open for business. The deferred receipt of initial fees shall also include any Initial Franchise Fee associated with "Multi-Unit Development Fees" and/or "Area Development Fees". As each franchise is opened for business, the franchisor may collect the Initial Franchise Fee for that facility opened. The franchisor shall not collect the Initial Franchise Fee for any franchise in Hawaii that has not opened for business.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, P.O. Box 40, Honolulu, Hawaii 96813.

**RIDER TO
FRANCHISE AGREEMENT
FOR USE IN HAWAII**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

4. Franchisee's payment of all initial fees, including the Initial Franchise Fee, is postponed until after all of Franchisor's initial obligations are complete and the franchise is open for business.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**RIDER TO
AREA DEVELOPMENT AGREEMENT
FOR USE IN HAWAII**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

4. Franchisee's payment of all initial fees, including the Area Development Fee, is postponed until after all of Franchisor's initial obligations are complete and the franchise is open for business.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
6. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
ILLINOIS**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS**

Initial Fees. The following statements are added to Item 5:

Pursuant to Section 200.508 of the Illinois Administrative Rules promulgated under Section 15 of the Illinois Franchise Disclosure Act, payment of the Initial Franchise Fee and all other fees owed to Franchisor or its affiliates, by the Franchisee, are deferred until such time as all initial obligations owed to the Franchisee under the Franchise Agreement or other agreements have been fulfilled by Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Notice of Termination. The following statements are added to Item 17:

With respect to franchises governed by Illinois law, JRL will comply with Illinois law which requires that you be given ten days' notice to cure monetary defaults under the Area Development Agreement and Restaurant Franchise Agreement.

Choice of Forum. The following statement is added to Item 17:

Pursuant to the Illinois Franchise Disclosure Act, any provision requiring franchisees to consent to the jurisdiction of courts outside of Illinois is void, provided that the Area Development Agreement and/or Restaurant Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Choice of Law. The following statement is added to Item 17:

Pursuant to the Illinois Franchise Disclosure Act requires that Illinois law governs your Area Development Agreement and Restaurant Franchise Agreement.

Notice Regarding Waivers. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) part or all of the Development Area is located in the State of Illinois.
2. The following sentence is added to the end of Section 11.B:

Except for those items listed in Section 11.B.2 through 11.B.8, Developer shall have thirty (30) days (ten (10) days for monetary defaults) after receipt of written notice of default from Franchisor in which to remedy the default and provide evidence of that remedy to Franchisor.
3. The last sentence of Section 12.A is deleted and replaced by the following:

Notwithstanding the foregoing, **Illinois law** shall govern the Area Development Agreement.
4. The following sentence is added to the end of Section 12.B:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Area Development Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Area Development Agreement may provide for arbitration in a forum outside of Illinois.
5. Section 12.E of the Agreement is hereby amended to delete subsection (1), mutual waiver of trial by jury. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois** is void.
6. Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
7. Pursuant to Section 200.508 of the Illinois Administrative Rules promulgated under Section 15 of the Illinois Franchise Disclosure Act, payment of the Initial Franchise Fee and all other fees owed to Franchisor or its affiliates, by the Franchisee, are deferred until such time as all initial obligations owed to the Franchisee under the Franchise Agreement or other agreements have been fulfilled by Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
9. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of Illinois.
2. The following sentence is added to the end of Section 16.D of the Agreement:

Notwithstanding the above, Franchisee shall have thirty (30) days after receipt of written notice of default from Franchisor in which to remedy the default and provide evidence of that remedy to Franchisor under subsections 16.D.1, 16.D.4, and 16.D.5.
3. The last sentence of Section 19.A is deleted and replaced by the following:

Notwithstanding the foregoing, **Illinois law** shall govern the Franchise Agreement.
4. The following sentence is added to the end of Section 19.B:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.
5. Section 19.E of the Agreement is hereby amended to delete subsection (1), mutual waiver of trial by jury. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois** is void.
6. Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
7. Pursuant to Section 200.508 of the Illinois Administrative Rules promulgated under Section 15 of the Illinois Franchise Disclosure Act, payment of the Initial Franchise Fee and all other fees owed to Franchisor or its affiliates, by the Franchisee, are deferred until such time as all initial obligations owed to the Franchisee under the Franchise Agreement or other agreements have been fulfilled by Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:

JOHNNY ROCKET'S LICENSING, LLC

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
MARYLAND**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND**

Item 1, Additional Disclosures. The following statements are added to Item 1:

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

Item 5, Additional Disclosures. The following statements are added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 10, Additional Disclosures. The following statements are added to Item 10:

The general release required as a condition of obtaining financing from us or our affiliate shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17, Additional Disclosures. The following statements are added to Item 17:

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

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Area Development Agreement and Restaurant Franchise Agreement may provide for arbitration in a forum outside of Maryland.

The Restaurant Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) part or all of the Development Area is located in the State of Maryland.

2. The following sentence is added to the end of Section 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. The following sentence is added to the end of Sections 10.C.6:

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

4. The following is added to the end of Section 12.B:

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Area Development Agreement may provide for arbitration in a forum outside of Maryland.

5. All representation requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

7. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Sections 2.H (Renewal), and 13.D.9 (Transfer):

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

3. The following sentence is added to the end of Section 7.A:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payment owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

4. The following sentence is added to the end of Section 19.B:

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland.

5. All representation requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
MINNESOTA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA**

Item 5, Additional Disclosures. The following statements are added to Item 5:

All initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 13, Additional Disclosure. The following statement is added to Item 13:

We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name to the extent required by Minnesota Statute § 80C.12, subdivision 1(g).

Item 11, Additional Disclosure. The following statement is added to Item 11:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

Notice of Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, JRL will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Area Development Agreement and the Franchise Agreement.

Choice of Forum and Law. The following statement is added to the cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document, the Area Development Agreement, or the Restaurant Franchise Agreement can abrogate or reduce any rights provided in Minnesota Statutes, Chapter 80C, or the rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Liquidated Damages. The following statement is added to Item 17:

Under Minnesota Statute §80C.21 and Minnesota Rule 2860.4400J, certain liquidated damages clauses are unenforceable.

General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the state of Minnesota; and/or (c) part or all of the Development Area is located in the State of Minnesota.

2. **The following sentence is added to the end of Section 5:**

All development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. **The following sentence is added to the end of Sections 10.C.6:**

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

4. **The following sentence is added to the end of Section 11:**

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute §§ 80C.14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) of the Area Development Agreement.

5. **Section 13.C is amended by deleting the third sentence providing that Franchisor will not be required to post a bond to obtain preliminary or temporary injunction order.**

6. **The following sentences are added to the end of Sections 12.B:**

Minnesota Statute §§ 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Area Development Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
8. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

By: _____

Print Name: _____

Title: _____

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

ATTEST/WITNESS:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the State of Minnesota; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of Minnesota.
2. The following sentence is added to the end of Sections 2.H and 13.D.9:

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.
3. The following sentence is added to the end of Sections 3.C, 13.D, and 13.E:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.
4. The following sentence is added to the end of Section 7.A:

All initial fees and payment owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and franchisee is open for business.
5. Section 19.C is amended by deleting the third sentence providing that Franchisor will not be required to post a bond to obtain preliminary or temporary injunction order.
6. The following sentences are added to the end of Section 19.B:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of Licensee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

By: _____

Print Name: _____

Title: _____

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

ATTEST/WITNESS:

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
NEW YORK**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.

REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Additional Risk Factor Required By The State of New York:

THE FRANCHISE GRANTED TO YOU UNDER THE FRANCHISE AGREEMENT IS NONEXCLUSIVE AND THE FRANCHISE AGREEMENT DOES NOT PROHIBIT JOHNNY ROCKETS LICENSING, LLC FROM OPERATING A JOHNNY ROCKETS RESTAURANT OR USING THE JOHNNY ROCKETS SYSTEM AND THE MARKS AT ANY OTHER LOCATION OR FOR ANY OTHER PURPOSE OR FROM LICENSING OTHERS TO DO SO.

Item 3, Additional Disclosures. The last sentence in Item 3 is deleted and replaced with the following:

Except as provided above, with regard to the Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or material civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees

and the size, nature or financial condition of the franchise system or its business operations:

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosures. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, officers or general partner, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 5, Additional Disclosures. The following statement is added to Item 5:

The Initial Franchise Fee constitutes part of our general operating funds and will be used as such in our discretion.

Item 10, Additional Disclosures. The following statements are added to Item 10:

You must sign a general release if obtaining financing from us or our affiliate. These provisions may not be enforceable under New York law.

Item 17, Additional Disclosures.

- (a) The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

- (b) The following language replaces the second sentence of the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the Development Agreement on any grounds available by law.

- (c) The following is added to the end of the section sentence of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

- (d) The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum"**, and Item 17(w), titled **"Choice of law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

- (e) The following statements are added to the end of Item 17:

JRL will not assign its rights under the Area Development Agreement and the Restaurant Franchise Agreement except to an assignee who in JRL's good faith and judgment is willing and able to assume JRL's obligations under the Area Development Agreement and the Restaurant Franchise Agreement.

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Area Development Agreement or the Restaurant Franchise Agreement inconsistent with that law.

You must sign a general release if you transfer your franchise. These provisions may not be enforceable under New York law.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____, between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee"), is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) part or all of the Development Area is located in the State of New York.
2. Any provision in the Area Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.
3. The following sentence is added to the end of Section 10.C.6:

Any provision in the Area Development Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680 - 695.
4. The following sentence is added at the end of Section 10.A:

Franchisor will not assign its rights under the Area Development Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Area Development Agreement.
5. The following sentence is added to the end of Section 12.A:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

7. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____, between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Sections 2.H and 13.D.9:

Any provision in the Franchise Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added at the end of Section 13.A:

Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.
5. The following sentence is added to the end of Section 19.A:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

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INTENTIONALLY LEFT BLANK]

7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
NORTH DAKOTA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF NORTH DAKOTA**

Item 5, Additional Disclosures. The following statements are added to Item 5:

All initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 10, Additional Disclosures. The following statements are added to Item 10:

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Johnny Rockets may have incurred under the North Dakota Franchise Investment Law.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. Any mediation or arbitration will be held at a site agreeable to all parties. The laws of the State of North Dakota will govern any dispute.

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Johnny Rockets may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreements are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.

The Franchise Agreement and Area Development Agreement include a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure document, Restaurant Franchise Agreement and Area Development Agreement.

The Franchise Agreement and Area Development Agreement stipulate that the franchisee shall pay all costs and expenses incurred by Johnny Rockets in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorney's fees.

The Franchise Agreement and Area Development Agreement require the franchisee to consent to a waiver of trial by jury. This provision shall not in any way abrogate or reduce any rights of the franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) part or all of the Development Area is located in the State of North Dakota.
2. **The following sentence is added to the end of Section 5:**

All development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
3. **The following sentence is added at the end of Section 9.C:**

Covenants not to compete are generally considered unenforceable in the State of North Dakota.
4. **The following sentence is added at the end of Sections 12.A and 12.B:**

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void, provided that the Area Development Agreement may provide for arbitration in a forum outside of North Dakota.
5. **The following sentence is added at the end of Section 12.E:**

This provision shall be deleted and shall be of no force or effect.
6. **The following is added at the end of Section 12.D:**

In any legal action or arbitration involving a franchise purchased in the state of North Dakota, the prevailing party is entitled to recover all costs and expenses, including attorney's fees. This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

8. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of North Dakota.
2. The following sentence is added at the end of Section 2.H and 13.D.9:

Notwithstanding the foregoing, any general release the Franchisee is required to assent to shall not apply to any liability Franchisor may have under the North Dakota Franchise Investment Law.
3. The following sentence is added to the end of Section 7.A:

All initial fees and payment owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and franchisee is open for business.
4. The following sentence is added at the end of Sections 15.A and 15.B:

Covenants not to compete are generally considered unenforceable in the State of North Dakota.
5. The following sentence is added at the end of Section 15.E.5:

This provision shall be deleted and shall be of no force or effect.
6. The following sentence is added at the end of Sections 19.A and 19.B:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void, provided that the Franchise Agreement may provide for arbitration in a forum outside of North Dakota.
7. The following is added at the end of Section 19.D:

In any legal action or arbitration involving a franchise purchased in the state of North Dakota, the prevailing party is entitled to recover all costs and expenses, including attorney's fees. This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:

JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
RHODE ISLAND**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF RHODE ISLAND**

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of Rhode Island; (b) Franchisee is a resident of the State of Rhode Island; and/or (c) part or all of the Development Area is located in the State of Rhode Island.
2. The following sentence is added to the end of Sections 12.A and 12.B:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Rhode Island; (b) Franchisee is a resident of the State of Rhode Island; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of Rhode Island.
2. The following sentence is added to the end of Sections 19.A and 19.B:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
SOUTH DAKOTA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF SOUTH DAKOTA**

Item 5, Additional Disclosure. The following statement is added to Item 5:

Despite the payment provisions above, we will defer your payment of all initial fees due to us until we have fulfilled all initial obligations we owe to you under the Franchise Agreement and you have commenced doing business at the Restaurant. In addition, despite the payment provisions above, we will defer your payment of all initial fees due to us until we have fulfilled all initial obligations we owe to you under the Area Development Agreement and your first Restaurant under the Area Development Agreement has commenced doing business.

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR SOUTH DAKOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Developer") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of South Dakota; and/or (b) Developer is a resident of the State of South Dakota and part or all of the Development Area is located in the State of South Dakota.
2. The following sentence is added to the end of Section 3:

Despite the payment provisions above, Franchisor will defer Developer's payment of all initial fees due to Franchisor until Franchisor has fulfilled all initial obligations Franchisor owes to Developer under the Area Development Agreement and Developer's first Restaurant under the Area Development Agreement has commenced doing business.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

DEVELOPER:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR SOUTH DAKOTA FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of South Dakota; and/or (b) Franchisee is a resident of the State of South Dakota and the Johnny Rockets Restaurant will be located or operated in the State of South Dakota.
2. The following sentence is added to the end of Section 7.A:

Despite the payment provisions above, Franchisor will defer Franchisee's payment of all initial fees due to Franchisor until Franchisor has fulfilled all initial obligations Franchisor owes to Franchisee under the Franchise Agreement and Franchisee has commenced doing business at Franchisee's Restaurant.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

**FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDA REQUIRED BY
VIRGINIA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF VIRGINIA**

Item 5, Additional Disclosure. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosure. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Johnny Rockets Licensing, LLC for use in the Commonwealth of Virginia shall be amended as follows:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute ‘reasonable cause,’ as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

**ADDENDA REQUIRED BY
WASHINGTON**

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Area Development Agreement ("Area Development Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Area Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Area Development Agreement. This Addendum is being executed because: (a) the offer or sale of a franchise to Franchisee was made in the State of Washington; (b) Franchisee is a resident of the State of Washington; and/or (c) part or all of the Development Area is located in the State of Washington.
2. The State of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100 ("Act"), which may supersede the Area Development Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise. There also may be court decisions which may supersede the Area Development Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
4. In the event of a conflict of laws, the provisions of the Act shall prevail.
5. A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
6. Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
8. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
9. The following sentence is added to the end of Section 5:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening obligations that it is entitled to under the area development agreement and disclosure document, and (b) is open for business. Franchisor will collect the area development fee on a prorated basis based on the opening of each of your Johnny Rockets Restaurants.

10. Section 10.C(10) of the Area Development Agreement is deleted in its entirety.
11. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

**ADDENDUM TO THE JOHNNY ROCKETS LICENSING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Johnny Rockets Licensing, LLC Franchise Agreement ("Franchise Agreement") dated _____ between Johnny Rockets Licensing, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Washington; (b) Franchisee is a resident of the State of Washington; and/or (c) the Johnny Rockets Restaurant will be located or operated in the State of Washington.
2. The State of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100 ("Act"), which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of your franchise. There also may be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
4. In the event of a conflict of laws, the provisions of the Act shall prevail.
5. A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
6. Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
8. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
10. The following sentence is added to the end of Section 4:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening obligations that it is entitled to under the franchise agreement and disclosure document, and (b) is open for business.

11. Section 13.D(14) of the Franchise Agreement is deleted in its entirety.

ATTEST:

FRANCHISOR:
JOHNNY ROCKETS LICENSING, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

EXHIBIT J

RECEIPT

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain English. Read this Disclosure Document and all agreements carefully.

If Johnny Rockets Licensing, LLC offers you a franchise, it must provide this Disclosure Document to you 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.

New York and Rhode Island require that Johnny Rockets Licensing, LLC give you this Disclosure Document at the earlier of the first personal meeting or ten business 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 Johnny Rockets Licensing, LLC give you this Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is Johnny Rockets Licensing, LLC, located at 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095. Its telephone number is (888) 856-4669.

Issuance Date: May 15, 2019, as amended August 22, 2019

The name, principal business address and telephone number of each franchise seller offering the franchise:

Johnny Rockets Licensing, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a Disclosure Document dated May 15, 2019, as amended August 22, 2019, that included the following Exhibits: (A) List of Agents for Service of Process and State Administrators, (B) Restaurant Franchise Agreement, (C) Area Development Agreement, (D) Gift Card Participation Agreement, (E) General Release, (F) Confidentiality Agreement, (G) List of Franchisees and Area Developers, (H) Financial Statements (including a Guarantee of Performance), (I) Additional Information Required By Certain States, and (J) Receipts.

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone _____ Zip _____

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone () _____ Zip _____

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain English. Read this Disclosure Document and all agreements carefully.

If Johnny Rockets Licensing, LLC offers you a franchise, it must provide this Disclosure Document to you 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.

New York and Rhode Island require that Johnny Rockets Licensing, LLC give you this Disclosure Document at the earlier of the first personal meeting or ten business 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 Johnny Rockets Licensing, LLC give you this Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is Johnny Rockets Licensing, LLC, located at 1855 Boston Road, Suite 300, Wilbraham, Massachusetts 01095. Its telephone number is (888) 856-4669.

Issuance Date: May 15, 2019, as amended August 22, 2019

The name, principal business address and telephone number of each franchise seller offering the franchise:

Johnny Rockets Licensing, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a Disclosure Document dated May 15, 2019, as amended August 22, 2019, that included the following Exhibits: (A) List of Agents for Service of Process and State Administrators, (B) Restaurant Franchise Agreement, (C) Area Development Agreement, (D) Gift Card Participation Agreement, (E) General Release, (F) Confidentiality Agreement, (G) List of Franchisees and Area Developers, (H) Financial Statements (including a Guarantee of Performance), (I) Additional Information Required By Certain States, and (J) Receipts.

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: _____ Zip: _____

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____