

www.lasalsa.com

310



\\Fs1\apps\lshmh\PK\26035-6\1077984.docx
2016 LA SALSA FDD PEA
9/21/16

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 THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed on Exhibit N 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 INITIAL TRAINING AGREEMENT, FRANCHISE AGREEMENT, EXPRESS RESTAURANT FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT AND ASSET PURCHASE AGREEMENT REQUIRE THE FRANCHISEE/DEVELOPER/BUYER TO RESOLVE DISPUTES WITH LA SALSA FRANCHISE, LLC, BY MEDIATION IN ORANGE COUNTY, CALIFORNIA AND ARBITRATION ONLY IN LOS ANGELES, CALIFORNIA. OUT OF STATE MEDIATION/ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO PARTICIPATE IN A MEDIATION/ARBITRATION PROCEEDING WITH LA SALSA FRANCHISE, LLC, IN CALIFORNIA THAN IN YOUR HOME STATE.

2 THE FRANCHISE AGREEMENT, EXPRESS RESTAURANT FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3 THE FRANCHISE AGREEMENT REQUIRES ALL PRESENT AND FUTURE OWNERS OF A 10% OR MORE, DIRECTLY OR INDIRECTLY, IN THE AGGREGATE, OF THE EQUITY OR YOUR VOTING RIGHTS, INCLUDING SPOUSES (AND FAMILY MEMBERS WHO LIVE IN THE SAME HOUSEHOLD) AND AFFILIATES TO SIGN A WRITTEN GUARANTEE OF PAYMENT AND PERFORMANCE OF OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF OWNERS, SPOUSES AND FAMILY MEMBERS AT RISK.

4 YOU ARE NOT GRANTED AN EXCLUSIVE TERRITORY UNDER THE FRANCHISE AGREEMENT.

5 IF THE FRANCHISE AGREEMENT IS TERMINATED DUE TO YOUR DEFAULT UNDER THE FRANCHISE AGREEMENT YOU MUST PAY US A LIQUIDATED DAMAGES FEE EQUAL TO TWO TIMES THE ROYALTY FEES PAID (OR IF UNPAID, PAYABLE) DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF TERMINATION.

6 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

SEE THE NEXT PAGE FOR STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents 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 disclosure document is registered, on file or exempt from registration in the following state having franchise registration and disclosure laws, with the following effective date

California. July 25, 2016, as amended on _____

In all other states, the effective date of this Disclosure Document is the issuance date of July 13, 2016 as amended on September 19, 2016

**LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS**

Item	Description of Contents	Page Number
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	4
ITEM 3	LITIGATION	5
ITEM 4	BANKRUPTCY	6
ITEM 5	INITIAL FEES	6
ITEM 6	OTHER FEES	8
ITEM 7	ESTIMATED INITIAL INVESTMENT	15
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	25
ITEM 9	FRANCHISEE'S OBLIGATIONS	28
ITEM 10	FINANCING	32
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	34
ITEM 12	TERRITORY	43
ITEM 13	TRADEMARKS	45
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	47
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	48
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	49
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	50
ITEM 18	PUBLIC FIGURES	68
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	68
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	69
ITEM 21	FINANCIAL STATEMENTS	73
ITEM 22	CONTRACTS	73
ITEM 23	RECEIPT	74

EXHIBITS

EXHIBIT A INITIAL TRAINING AGREEMENT

EXHIBIT B FRANCHISE AGREEMENT

EXHIBIT C AREA DEVELOPMENT AGREEMENT

EXHIBIT D ASSET PURCHASE AGREEMENT

EXHIBIT E EXPRESS RESTAURANT FRANCHISE AGREEMENT

EXHIBIT F NON-DISCLOSURE AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE

EXHIBIT G CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

EXHIBIT H GENERAL RELEASE

EXHIBIT I GUARANTEES

EXHIBIT J CATERING ADDENDUM TO FRANCHISE AGREEMENT

EXHIBIT K ADDENDUM TO FRANCHISE AGREEMENT FOR PURCHASE OF OPERATING RESTAURANT

EXHIBIT L OPTION TO OBTAIN LEASE ASSIGNMENT

EXHIBIT M LIST OF FRANCHISEES

EXHIBIT N LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT O STATE SPECIFIC ADDENDA

EXHIBIT P CLOSING QUESTIONNAIRE

EXHIBIT Q FINANCIAL STATEMENTS

EXHIBIT R RECEIPTS

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

La Salsa Franchise, LLC

La Salsa Franchise, LLC, a Delaware limited liability company (' LSF), was organized on May 10, 2007, and is the franchisor for La Salsa® Fresh Mexican Grill Restaurants (a **La Salsa® Restaurant** and "**La Salsa® Restaurants** ") which feature fresh, high quality authentic Mexican-style food products To simplify the language in this Disclosure Document, "LSF," **we**" and **us**' means La Salsa Franchise, LLC **You**" or **Franchisee** means the business entity, person or persons who sign the Franchise Agreement As noted below, LAS Acquisition, LLC, a Delaware limited liability company ('**LAS Acquisition** '), was organized on May 1, 2007, and owns and operates La Salsa® Fresh Mexican Grill Restaurants which are referred to in this Disclosure Document as '**company-owned** Restaurants

LSF's Parents, Predecessors and Affiliates

From January 1988 to January 2006, franchises for La Salsa Restaurants were offered by La Salsa Franchise, Inc , which was a wholly-owned subsidiary of La Salsa, Inc ("**LSI**") La Salsa Franchise, Inc was merged into LSI in January 2006 La Salsa Franchise, Inc s predecessors began operating La Salsa Restaurants in 1979 LSI is a Delaware corporation incorporated on January 23, 1992 LSI s predecessor, La Salsa Holding, Inc , was merged into LSI in July 1999 LSI is a wholly-owned subsidiary of Santa Barbara Restaurant Group, Inc ("**SBRG**"), a Delaware corporation incorporated on October 26, 1989 On March 1, 2002, SBRG became a wholly-owned subsidiary of CKE Restaurants, Inc ('**CKR**'), a Delaware corporation incorporated in March 1994 CKR s affiliates are Carl Karcher Enterprises, Inc ('**CKE**'), Hardee s Food Systems, Inc ("**HFS** ") and HED, Inc ("**HED** ") CKE is a California corporation incorporated on February 7, 1966 HED sold and distributed most approved items of equipment used in La Salsa Restaurants, Carl s Jr Restaurants, Carl's Jr /Green Burrito Dual Concept Restaurants and Hardee's Restaurants The principal business address of LSI, SBRG, CKR, CKE, HFS and HED is 6307 Carpinteria Avenue, Suite A, and Carpinteria, California 93013

On July 16, 2007, LAS Acquisition, a Delaware limited liability company organized on May 1, 2007, acquired all of the outstanding shares of LSI and all of its franchise assets from SBRG and all of the franchise assets were assigned to us The principal business address of LAS Acquisition is 320 Commerce, Suite 100, Irvine, California 92602 Neither LSF nor LAS Acquisition are related to LSI, SBRG, CKR, CKE, HFS or HED in any way

Neither LSF nor LAS Acquisition has ever offered franchises for sale in this or any other line of business However, LAS Acquisition is a wholly-owned subsidiary of BF Acquisition Holdings, LLC, a Delaware limited liability company organized on October 25, 2006 ('**BFAH** ') BFAH is the owner of Triune LLC, a California limited liability company that was organized on September 29, 2009 ("**Triune LLC**"), the franchisor for Baja Fresh® Mexican Grill Restaurants and the successor-in-interest to Triune Corporation, a California corporation ('**Triune** ') which was incorporated on May 15, 1991 BFAH is the owner of Fresh Enterprises, LLC, a California limited liability company that was organized on September 29, 2009 ('**Fresh Enterprises, LLC**'), the owner and operator of Baja Fresh® Mexican Grill Restaurants and the successor-in-interest to Fresh Enterprises, Inc , a California corporation ("**Fresh Enterprises, Inc** ") which was incorporated on April 30, 1997 Triune, Inc and Fresh Enterprises, Inc were part of a company reorganization that took place in October 2009 which resulted in the formation of their successors-in-interest, Triune, LLC and Fresh Enterprises LLC, and the dissolution of Triune Corporation and Fresh Enterprises, Inc Baja Fresh® Mexican Grill Restaurants also feature fresh, high quality Mexican-style food products The principal business address for Fresh Enterprises, LLC, and Triune, LLC is 320 Commerce, Suite 100, Irvine, California 92602

Neither Fresh Enterprises nor Triune has ever offered franchises for sale in any other line of business

The LA SALSA® Franchise

The La Salsa® franchise (the "Franchise") is an owner-developed and operated fast-food restaurant business that sells fresh, high quality Mexican-style food products from Restaurants which are identified by certain trade names, service marks and trademarks, such as 'La Salsa®' (the "Marks"), which is a registered trademark and service mark, and uses a System of food production and restaurant operating techniques which are licensed to you and identify the franchised restaurant with the La Salsa® reputation for quality and service. The La Salsa® System also includes our operating methods and business practices, our relationships with our franchisees, the interior and exterior designs we have developed for La Salsa® Restaurants, and other items of trade dress, our specifications for equipment, fixtures and uniforms, our defined product offerings, recipes, preparation methods and specified pricing and promotions, our ownership restrictions, standard operating and administrative procedures and management and technical training programs, and our marketing and public relations programs. You will sell all, and only, the fresh, high quality, Mexican-style food products, soft drinks and other items that are part of the La Salsa® standard menu and that appeal to the appetites of children and adults. La Salsa® Restaurants provide fast service, having on-premises eating facilities as well as offering take out service. Each La Salsa® Franchisee is initially individually trained by us in restaurant operations and has available ongoing assistance from us throughout the term of the Franchise.

We offer 5 separate Franchise programs in this Disclosure Document, though we may not necessarily allow you the opportunity to purchase under all of these programs.

Single Franchise Program Under this program, you will sign a Franchise Agreement (**Exhibit B**) to operate a new single traditional 1,300 – 1,800 square foot La Salsa® restaurant (individually a "Traditional Restaurant" and collectively "Traditional Restaurants") at a location which you choose and which we accept (the "Franchised Location").

3 Restaurant Purchase Program Under this program, you will sign 3 Franchise Agreements (**Exhibit B**) to operate 3 Traditional Restaurants at 3 Franchised Locations for a discounted Initial Franchise Fee for each Restaurant Franchise.

Area Development Program Under this program, we assign a defined area within which you, as area developer ('Area Developer'), must develop and operate a minimum of 5 of La Salsa® Restaurants within a specified period of time. The development area may be one city, one or more counties, or some other defined geographic area. You will sign an Area Development Agreement (**Exhibit C**), which will describe your development area and your development schedule and obligations. For each La Salsa® Restaurant you open under the Area Development Agreement, promptly after our acceptance of the site for the Restaurant, you will sign a separate Franchise Agreement on our then current form, after we accept the site for the La Salsa® Restaurant, which form of Franchise Agreement may be different than the form of Franchise Agreement included in this Disclosure Document. Our current form of Area Development Agreement provides that the Initial Franchise Fee payable for each Franchise Agreement signed under the Area Development Agreement will be \$50,000. These payments will remain constant even if in the future we charge a higher Initial Franchise Fee to new franchisees.

Purchase Program Under this program, you, as buyer ('Buyer'), will purchase a company-owned Operating Restaurant from LAS Acquisition. In either case, you will sign an Asset Purchase Agreement (**Exhibit D**) with LAS Acquisition to acquire the assets of the Restaurant (the "Asset Purchase Agreement") and will sign a Franchise Agreement with us to operate the Restaurant when you purchase the assets of the Restaurant. If you purchase an Operating Restaurant, you will also sign an Addendum to Franchise Agreement for Purchase of Operating Restaurant in the form attached as **Exhibit K** (the "Purchase Addendum") that will change certain terms of the Franchise Agreement to apply to an Operating Restaurant.

Express Restaurant Program Under this program, you will sign an 'Express Restaurant Franchise Agreement' (**Exhibit E**) to operate an 800 – 1,200 square foot La Salsa® Restaurant (an "Express Restaurant") at a captive market location (the "Express Restaurant Franchised Location") which you choose and which we accept. Captive market locations include hotels and motels, casinos, stadiums, arenas, airports, train stations, bus stations, Indian

reservations, colleges and universities, recreational theme park, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets or any similar captive market location. The Express Restaurant Franchise Agreement will identify the larger building (‘ Facility ’) in which the Express Restaurant will be located as well as the Express Restaurant Franchised Location. All references in this Disclosure Document to an **Express Restaurant** or an ‘**Express Restaurant Franchised Location**’ refer only to your operation of that portion of the Facility which is occupied by the La Salsa® Restaurant.

Under each of our 5 Franchise programs, Franchisees (Area Developers under an Area Development Program or Buyer under a Purchase Program) may be individuals or entities which meet our then current requirements for non-individual franchisees (or Area Developers). These requirements may include the signing of personal guarantees (**Exhibit I**) by some or all of the individuals holding an equity interest in the Franchisee (Area Developer or Buyer). In addition, you, and each affiliate who has a currently effective Franchise Agreement with us, must sign a General Release (**Exhibit H**) as a condition to entering into a new Franchise Agreement.

If you are signing your Franchise Agreement for the renewal of an existing Franchise (a **Renewal Franchise**”), some of the terms of the new Franchise Agreement may be modified or different from the terms of the existing Franchise Agreement.

Unless the context of this Disclosure Document indicates or infers otherwise, any reference to ‘**Franchise**’ in this Disclosure Document will include a Franchise for a Traditional Restaurant and an Express Restaurant, any reference to ‘**Franchise Agreement**’ in this Disclosure Document will include a Franchise Agreement for a Traditional Restaurant and an Express Restaurant Franchise Agreement for an Express Restaurant, any reference to ‘**Restaurant**’ in this Disclosure Document will include a Traditional Restaurant and an Express Restaurant and any reference to a ‘**Franchised Location**’ in this Disclosure Document will include an Express Restaurant Franchised Location.

Catering Services If you desire to offer off-premises catering of La Salsa® food products and beverages (‘**Catering Services**’) from your Restaurant, you and we will execute a Catering Addendum (**Exhibit I**) to the Franchise Agreement, which will govern your offer of Catering Services from the Restaurant through our centralized catering program (the ‘**Catering Program**’). In addition to food and beverages, you may offer delivery, delivery and set up, chafing dish set up with or without servers, equipment rental and/or execution of event and tear down (‘**Additional Services**’) to your catering customers.

Competition The typical La Salsa® Traditional Restaurant is on a major thoroughfare or in/or adjacent to a retail/shopping center. You will compete in the fast-food business with various established independent local restaurants and regional or national chain outlets specializing in Mexican-style food, both fast take-out service and full service, including Baja Fresh® Mexican Grill Restaurants owned and operated by LAS Acquisition, and franchisees of Triune, as well as with other restaurants and take-out facilities selling all kinds of food or other specialty foods, including well-established national chain outlets and local businesses and other La Salsa® Restaurants, both franchise and company-operated outlets. Many restaurants specialize in fresh, high quality Mexican style food products and competition in the restaurant business in general and the fast-food industry in particular is intense. Typically, restaurant and fast food businesses operate year round, so sales are not seasonal.

Effective as of September 9, 2016, Kahala Brands’ parent company, MTY Franchising USA, a Delaware corporation, entered into an agreement to purchase all outstanding membership interests of BFAH, including the rights to franchise the Baja Fresh® and La Salsa Mexican Grill® brands. If the closing and regulatory conditions are satisfied, the transaction is expected to close on or before October 31, 2016. Kahala Brands or its affiliated companies offer unit and/or multi-unit franchises for 18 other food service brands under separate disclosure documents, including for the Mucho Burrito, TacoTime and America’s Taco Shop® brands. As of December 31, 2015, there were 2 Mucho Burrito restaurants (both franchised), 144 Taco Time restaurants (all franchised) and 10 America’s Taco Shop restaurants (5 franchised and 5 company-owned) in the United States. You will compete with Mucho Burrito, Taco Time and America’s Taco Shop restaurants owned and operated by Kahala Brands or

its affiliated companies and their franchisees Kahala Brands or its affiliated companies have in the past offered, but are currently not offering, area representative franchises for any of its brands, but may do so again in the future

Special Industry Regulation You must comply with all local, state, and federal laws that apply to your Restaurant including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must obtain all required real estate permits, licenses and operational licenses. California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Restaurant premises, (b) regulate matters affecting the health, safety and welfare of your customers such as general health and sanitation requirements for restaurants, employee practices concerning the storage, handling, cooking and preparation of food, restrictions on smoking, availability of and requirements for public accommodations, including restrooms, (c) set standards pertaining to employee health and safety, (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) control the sale of alcoholic beverages, and (g) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You must comply with all menu and menu board labeling laws and rules requiring restaurant operators to disclose certain calorie or other nutritional information about the foods they sell, including, for example, the FDA's Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments Rule. The Health Care Reform Bills that became law in March 2010 contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these laws. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Restaurant. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchise and should consider both their effect and cost of compliance.

The Payment Card Industry Data Security Standard ("PCI DSS") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

ITEM 2 BUSINESS EXPERIENCE

President and Chief Executive Officer

Charles Rink

Mr. Rink became our Chief Executive Officer on March 30, 2012. On March 30, 2012, Mr. Rink also became the Chief Executive Officer of Canyons Burger Operations, LLC and Canyons Burger Franchising, LLC, the operator and franchisor, respectively, of Canyons Burger Restaurants in Irvine, California. On March 30, 2012, Mr. Rink also became the Chief Executive Officer of Triune LLC, the franchisor of Baja Fresh Mexican Grill Restaurants in Irvine, California and LAS Acquisition, LLC. Mr. Rink became the President of Fresh Enterprises, LLC, successor-in-interest to Fresh Enterprises, Inc. in Irvine, California in January 2008.

Chief Financial Officer

Robert Gonda

Mr. Gonda became our Chief Financial Officer in February 2011. In February 2011, Mr. Gonda also became the Chief Financial Officer of Canyons Burger Operations, LLC and Canyons Burger Franchising, LLC, the operator and franchisor, respectively, of Canyons Burger Restaurants in Irvine, California. In February 2011, Mr.

Gonda also became the Chief Financial Officer of Triune, LLC, the franchisor of Baja Fresh Mexican Grill Restaurants in Irvine, California, LAS Acquisition, LLC, and Fresh Enterprises, LLC, successor-in-interest to Fresh Enterprises, Inc. in Irvine, California.

Sr Vice President – International Franchising and General Counsel

Perry Roshan-Zamir, Esq

Mr Roshan-Zamir became the General Counsel for us and our parent, Fresh Enterprises, LLC, in August of 2007. He became the Sr Vice President-International Franchising and General Counsel in February of 2015. Mr Roshan-Zamir also became the General Counsel of La Salsa Franchise, LLC, the franchisor of La Salsa Fresh Mexican Grill Restaurants in August of 2007. Mr Roshan-Zamir has served as the sole owner of the Law Offices of Perry Roshan-Zamir in Santa Monica, California, from 1992 through present.

Franchise Coordinator

Thuy Nguyen

Ms Nguyen became our Franchise Coordinator in October 2011. From March 2009 to October 2011, Ms Nguyen was not employed.

**ITEM 3
LITIGATION**

Concluded Litigation Involving Us, Triune and Fresh Enterprises

State of Maryland Determination, Case Number 2012-0073 In February 2012, the State of Maryland alleged that during the period January 1, 2009 to November 26, 2009 Triune, LLC, the franchisor of Baja Fresh Restaurants, did not retain signed acknowledgements of receipt reflecting the dates that Triune's Franchise Disclosure Document was delivered to certain Maryland residents and non-residents, Triune sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document, Triune sold franchises to certain Maryland residents and non-residents without providing them with a copy of a 2009 Franchise Disclosure Document that contained Triune's 2008 financial statements with a going concern note from Triune's auditors resulting from the unfavorable financial condition of Triune's parent company, and Triune sold franchises to certain Maryland residents and non-residents without including, or abiding with, a deferral condition in their Franchise Agreements that was imposed upon Triune by the State of Maryland, all as required by the Maryland Franchise Registration and Disclosure Law (the Maryland Law) and in violation of the Maryland Law. Without admitting or denying the allegations, in September 2012, Triune voluntarily entered into a Consent Order with the Office of the Attorney General of Maryland and agreed to not violate the Maryland Law in the future, to pay the Office of the Attorney General the sum of \$50,000 as a civil penalty, to retain copies of all acknowledgments of receipt confirming dates that prospective Maryland franchisees received any Maryland Franchise Disclosure Documents, to comply with the disclosure and antifraud provisions of the Maryland Franchise Law and the record keeping and escrow requirements of the Code of Maryland Regulations and to send a copy of the Consent Order to certain Maryland franchisees.

State of Virginia Determination, Case Number SEC-2012-00027 In February 2012, the Division of Securities and Retail Franchising of the State Corporation Commission (the "Commission") alleged that during 2009 Triune offered or sold franchises in Virginia in 2009 that were not registered under the Virginia Retail Franchising Act (the Virginia Act'), Triune offered or sold franchises in Virginia without disclosing that Triune was not registered to do so, Triune failed to provide material information regarding its parent company's unfavorable financial condition and the potential impact that it could have on Triune as stated in a going concern note in Triune's 2008 financial statements from Triune's auditors, and Triune failed to provide a prospective franchisee with a copy of our Franchise Disclosure Document as required by rule or order of the Commission at least 14 calendar days before the prospective franchisee signed a binding agreement or made any payment to Triune in connection with the sale or offer to sell a franchise in Virginia. Without admitting or denying the allegations, in November 2012, Triune voluntarily entered into a Settlement Order with the Commission and agreed to not violate the Virginia Act in the future, to pay Virginia the sum of \$25,000 as a penalty and the sum

of \$5,000 to defray the Commission's costs of investigation, to offer certain Virginia franchisees a refund of their initial franchise fees, and to send a copy of the Settlement Order to certain Virginia franchisees

Litigation Commenced by Franchisor in the Past Fiscal Year

La Salsa Franchise, LLC v Dean Restaurant Group, Inc , American Arbitration Association Case No 01-15-0003-6508 On May 27, 2015, we brought an action against a former franchisee for the former franchisee's failure to de-identify a former franchised location, and for damages. The arbitrator found for the respondent.

Other than these 3 actions, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5 INITIAL FEES

Application Fee You must pay us an application fee of \$250 for each person who will own an ownership interest in your Franchise (the '**Application Fee**') following our delivery of this Disclosure Document to you and the expiration of 14 days from the date of delivery and before you sign the Franchise Agreement or the Initial Training Agreement. The Application Fee is uniform to all individuals applying to purchase a Franchise and is not refundable. The Application Fee is not credited toward or applied to any fees.

Initial Training Fee You must also pay us a \$10,000 initial training fee (the '**Initial Training Fee**') and an initial franchise fee (the '**Initial Franchise Fee**') to become a La Salsa Franchisee following our delivery of this Disclosure Document to you and the expiration of 14 days from the date of delivery.

Single Franchise Program, 3 Restaurant Purchase Program, and Express Restaurant Program After you sign a Franchise Agreement (**Exhibit B**) for your first La Salsa® Traditional Restaurant under the Single Franchise Program or the 3 Restaurant Purchase Program, or an Express Restaurant Franchise Agreement (**Exhibit E**) for your first La Salsa® Express Restaurant, you must sign our Initial Training Agreement (**Exhibit A**) and pay us the Initial Training Fee before you begin our approximately 6 to 8 week initial training program (the '**Initial Training Program**').

Area Development Program If you are new to the system, after you sign an Area Development Agreement (**Exhibit C**), you must sign our Initial Training Agreement (**Exhibit A**) and pay us the Initial Training Fee before you sign the Franchise Agreement and before you begin our Initial Training Program.

Purchase Program Before you are eligible to sign a Franchise Agreement (**Exhibit B**) for your first company-owned Operating Restaurant, you must sign our Initial Training Agreement (**Exhibit A**), and pay us our Initial Training Fee for our Initial Training Program. The Initial Training Fee is in addition to the Initial Franchise Fee and is fully earned by us when paid and is not refundable under any circumstances except as otherwise discussed below.

The Initial Training Fee is uniform to all parties applying to purchase a Franchise. Please also see '**Different Fees**' below.

You, or at least 1 equity owner of any entity franchisee (the '**Operating Principal**' or "**Director of Operations**"), and/or any other person who will be responsible for the day-to-day operations of the Restaurant (the '**Restaurant Manager**'), must successfully complete our Initial Training Program. The Initial Training Fee includes training for up to 2 persons. The Initial Training Program is not provided, and an Initial Training Fee is

not payable, if you or any of your Affiliates own and operate a La Salsa® Restaurant when you sign your Franchise Agreement or for Renewal Franchise Agreements

Refunds and Credits of Initial Training Fee You, your Operating Principal, Director of Operations or Restaurant Manager, or other supervisory or managerial personnel (the "Designated Trainees") must complete our Initial Training Program to our satisfaction to be eligible to become a Franchisee. Other than for an Express Restaurant, the Initial Training Fee is applied toward the Initial Franchise Fee for your Restaurant if your Designated Trainees complete the Initial Training Program to our satisfaction.

If your Designated Trainees (1) fail to complete the Initial Training Program, (2) do not complete the Initial Training Program to our satisfaction, (3) do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by our Franchise Agreement, or (4) are not acceptable to purchase a Franchise for any reason in our sole and absolute discretion, your Initial Training Agreement will automatically terminate and you will not be eligible to become a Franchisee. Under these circumstances, for a Traditional Restaurant, a 3 Restaurant Program, and an Area Development Program, we will retain \$8,000 of the Initial Training Fee and will refund the \$2,000 balance of the Initial Training Fee to you within 30 days. The Initial Training Fee for an Express Restaurant is fully earned by us when paid and is not refundable under any circumstances. If the Initial Training Fee is paid to us in the event of a transfer or assignment, the Initial Franchise Fee is fully earned by us when paid and is not refundable under any circumstances. Other than as described above, the Initial Training Fee is not refundable under any circumstances.

You must sign a mutual general release when the refund of the Initial Training Fee is paid, which will release any claims which either you or we may have against each other arising out of your proposed purchase of our Franchise. The non-refundable portion of the Initial Training Fee is our reasonable estimate of the costs of training, administrative expenses, loss of foregone opportunities and other damages which we are likely to incur and are believed to be reasonable under the circumstances.

Initial Franchise Fee

Single Restaurant Program You must pay us an Initial Franchise Fee of \$50,000 for your first single La Salsa® Traditional Restaurant when you sign the Franchise Agreement (**Exhibit B**). If you are signing the Franchise Agreement with the renewal of an existing Franchise, you will not pay an Initial Franchise Fee, but may pay a renewal fee for the new Franchise Agreement if and as provided in your existing Franchise Agreement.

3 Restaurant Purchase Program You must pay us an Initial Franchise Fee of \$120,000 (\$40,000 per Franchise) for the rights to develop 3 La Salsa® Restaurants, when you sign the Restaurant Franchise Agreements (**Exhibit B**). You must sign each of the 3 Franchise Agreements in advance of obtaining Franchised Locations for each of your 3 Restaurants.

Area Development Program When you sign our current form of Area Development Agreement (**Exhibit C**) for a minimum of 5 La Salsa® Restaurants, you must pay us an Initial Franchise Fee of \$50,000 multiplied by the number of La Salsa® Restaurants which you must open under your Area Development Agreement (\$250,000 for a minimum of 5 Restaurants). You must also sign a separate Franchise Agreement (**Exhibit B**) for each La Salsa Restaurant to be opened. If you signed an earlier form of Area Development Agreement which differs from our current form, your Initial Franchise Fee will be determined by your Area Development Agreement. You will sign all Franchise Agreements in advance of obtaining Franchised Locations for each of the Restaurants you must open under your Area Development Agreement.

Express Restaurant Program Your Initial Franchise Fee for each Express Restaurant you operate will be \$25,000 and must be paid when you sign the Express Restaurant Franchise Agreement (**Exhibit E**).

Purchase Program You must pay us an Initial Franchise Fee of \$50,000 for an Operating Restaurant when you complete the asset purchase transaction and sign the Franchise Agreement. You must also pay LAS

Acquisition the purchase price for the assets of an Operating Restaurant which will generally range from \$300,000 to \$2,000,000 and pre-paid rent and security deposits of between \$12,000 and \$25,000

Refunds of Initial Franchise Fee If your Designated Trainees (1) fail to complete the Initial Training Program, (2) do not complete the Initial Training Program to our satisfaction, (3) do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by our Franchise Agreement, or (4) are not acceptable to purchase a Franchise for any reason in our sole and absolute discretion, for (i) a 3 Restaurant Program, we will retain \$40,000 of your Initial Franchise Fee and refund the balance to you within 30 days, and (ii) an Area Development Program, we will retain \$50,000 of your Initial Franchise Fee and refund the balance to you within 30 days. Other than as described above, the Initial Franchise Fee is fully earned by us when paid and is not refundable under any circumstances.

You must sign a mutual general release when the refund of the Initial Franchise Fee is paid, which will release any claims which either you or we may have against each other arising out of your proposed purchase of our Franchise. The non-refundable portion of the Initial Franchise Fee is our reasonable estimate of the costs of training, administrative expenses, loss of foregone opportunities and other damages which we are likely to incur and are believed to be reasonable under the circumstances.

The Initial Franchise Fee is uniform to all parties applying to purchase a Franchise. Please also see "Different Fees" below.

Different Fees We may reduce, finance, defer or waive the Initial Training Fee and Initial Franchise Fee if and when we determine, in our sole discretion, it is warranted by a unique or compelling situation.

ITEM 6 OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee ¹	Equal to 5% of Gross Sales	Payable by electronic funds transfer or other automatic payment mechanism we designate every week no later than 5 calendar days after the end of each Accounting Period ²	Gross Sales includes all revenue from your Restaurant operations. Gross Sales does not include sales tax, use tax and refunds to customers. Existing franchisees pay Continuing Royalty Fees at varying rates. If you are signing your Franchise Agreement under an existing Area Development Agreement which differs from our current form, your Continuing Royalty Fee will be modified if and as required by your Area Development Agreement. If you execute the Catering Addendum, Gross Sales also includes all sales or other income derived from the Catering Services offered from the Franchised Restaurant, however, fees derived from Additional Services and any gratuities paid to you or your employees are not included in Gross Sales. If we allow you to relocate your Restaurant, you will pay us Continuing Royalties fees during the relocation period based upon the Continuing Royalties you paid for the existing Restaurant during the identical period(s) of the last preceding calendar year or the average Continuing Royalty

Name of Fee	Amount	Due Date	Remarks
			during the number of months the Restaurant was in operation, if the Restaurant was not in operation during the identical period of the last preceding year
Advertising Fee ¹	Up to 3% of Gross Sales (currently 1% of Gross Sales) for Traditional Restaurants and 1% of Gross Sales for an Express Restaurant	Same as Continuing Royalty Fee	Payable to us, to be administered through our Marketing Development Fund. If you are signing your Franchise Agreement under an existing Area Development Agreement which differs from our current form, your Advertising Fee will be modified if and as required by your Area Development Agreement. You must also spend up to 3% of Gross Sales each calendar quarter for local store marketing (currently 2% of Gross Sales) for La Salsa® Traditional Restaurants
Cooperative Advertising ¹	As determined by each Co-Op Advertising Region, but not to exceed 15% of Gross Sales	Established by us	You must contribute to the Co-Op if we establish a Co-Op Advertising Region for the region where your Franchise is located. You and we, and LAS Acquisition, will have 1 vote for each Restaurant located within each Co-Op Advertising Region. Any amount you must contribute to the Co-Op will be credited against the amount which you must spend on local advertising under Section 8.1 of your Franchise Agreement
Late Charge	1-1/2% per month, or the highest amount allowed by law, for each month the payment remains delinquent ⁵	Continues to accrue until paid	Payable only if any sums due to us are not paid promptly when due
Charge for Nonpayment due to "Insufficient Funds"	\$100, which includes bank charges, <u>plus</u> our costs and expenses from your non-payment	On demand	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise
Initial Training Fee ¹	As established by us, the Initial Training Fee will be uniform for all franchisees	On demand	The Initial Training Program is not provided if you, or any of your affiliates, own and operate a La Salsa® Restaurant when you sign your Franchise Agreement or sign a Renewal Franchise Agreement. You will also be responsible for costs of travel, living, compensation and other expenses for each of your Designated Trainees who attends the Initial Training Program.
Additional Optional Training Courses ¹	Currently \$500 per week	On demand	We may make available additional mandatory or optional, in our discretion, training courses or programs which you, your Operating Principal, Director of Operations and each Restaurant Manager, or other supervisory or managerial personnel may

Name of Fee	Amount	Due Date	Remarks
			or must attend at locations we select on a national or regional basis, to instruct you on new procedures or programs which we consider to be of major importance to the operation of your Restaurant. You must pay us a fee for optional training courses you choose to attend. You will also be responsible for costs of travel, living, compensation and other expenses.
Opening Assistance ¹	No charge for first Restaurant, then, a fee established by us (currently \$500 per person, per week) <u>plus</u> our out of pocket expenses, including transportation, food and lodging.	On demand	If you are signing your Franchise Agreement for your first La Salsa® Restaurant, we will furnish you with 2 persons at no cost to you to assist you for 1 week before and 1 week after you open your first Restaurant. We do not provide opening support for any La Salsa® Restaurants you open after opening your first Restaurant.
Additional Assistance ¹	Our then-current training charges (currently \$500 per person, per week) <u>plus</u> our costs and out of pocket expenses for the lodging, travel and meals for our personnel.	On demand	If we provide additional training at your request, you must reimburse us for our costs in providing training and supervisory personnel (including all transportation and living expenses of our representatives).
Additional Training	Our then-current training charges (currently \$500 per person per week) <u>plus</u> our costs and out of pocket expenses for the lodging, travel and meals for our personnel.	On demand	Additional Training may include product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of computer systems.
Remedial Training	Our then-current training charges <u>plus</u> our costs and out of pocket expenses for the lodging, travel and meals for our personnel.	On demand	If we determine it to be necessary, we may provide you with on-site remedial training or assistance subject to the availability of our personnel. You will pay us any fee which we may charge you and other franchisees to defray the direct costs of providing this remedial training. In addition, you will be responsible for any and all other expenses incurred in connection with sending your supervisory or managerial employees to remedial training including the costs of transportation, lodging, meals, training materials and any wages. We will, in our sole discretion, select the time and location of all remedial training.
Inspection Fee	First revisit is \$500, later revisits \$2,500	On demand	If we must revisit the Restaurant for another inspection after you have been notified of any

Name of Fee	Amount	Due Date	Remarks
			deficiency or unsatisfactory condition at the Restaurant, including quality, cleanliness, service, health and authorized product line
Insurance ⁴	Amount of unpaid premiums	On demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you
Transfer Fee and Transfer Training Fee ³ (Franchise Agreement)	The Transfer Fee is \$5,000 plus our out of pocket costs associated with the transfer, including attorneys fees associated with the transfer, the Transfer Training Fee is \$10,000 for up to 2 trainees	Before transfer	Payable if you transfer or assign your Restaurant. If you have a Certified Trainer on staff, you and your Certified Trainer will be responsible for training the buyer of your Restaurant at your expense, and no training fees will be due to us. If you don't have a Certified Trainer on staff, we will train the buyer of your Restaurant and one other person at your expense, and you will pay us a \$10,000 Transfer Training Fee. You will pay only our out of pocket costs if you are assigning your Franchise Agreement to a 100% controlled entity for convenience of ownership.
Transfer Fee ¹ (Area Development Agreement)	The Transfer Fee is \$5,000, plus any Transfer Fee under any Franchise Agreement or any greater amount necessary to reimburse us for our out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer	Before transfer	Payable if you transfer or assign your rights under your Area development Agreement
Transfer Fee and Transfer Training Fee ³ (Express Restaurant Franchise Agreement)	The Transfer Fee is \$5,000 plus our out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer, the Transfer Training Fee is \$10,000 for up to 2 trainees	Before transfer	Payable if you transfer or assign your Restaurant. If you have a Certified Trainer on staff, you and your Certified Trainer will be responsible for training the buyer of your Restaurant at your expense, and no training fees will be due to us. If you don't have a Certified Trainer on staff, we will train the buyer of your Restaurant and one other person, at your expense, and you will pay us a \$10,000 Transfer Training Fee. You will pay only our out of pocket costs if you are assigning your Franchise Agreement to a 100% controlled entity for convenience of ownership.

Name of Fee	Amount	Due Date	Remarks
Intranet Maintenance Fee	Not to exceed \$1,000 per year	30 days after notice to you	If we establish an Intranet, at our option, you must contribute a reasonable amount, not to exceed \$1,000 per year, toward the cost of the Intranet maintenance. We will notify you by January 31 of each applicable year, and the payment must be paid within 30 days after notice.
Catering Management Fee ¹	12% of Gross Sales from catering activities	Payable every week no later than 5 calendar days after the end of each Accounting Period	Applicable only if you sign the Catering Addendum. Gross Sales from catering activities includes all revenue from the Catering Services offered from the Restaurant, including fees for Additional Services, and excluding gratuities paid to your employees, sales tax, use tax and refunds to customers.
Catering Marketing Fund ¹	The amounts we designate to support specific initiatives under catering. As of the date of this Disclosure Document, no payments are required.	As we direct	If you sign the Catering Addendum, you agree to participate in the Catering Marketing Fund should one be established. The Catering Marketing Fund may be used to pay the cost of marketing and advertising activities directed toward the provision of Catering Services through the Catering Program.
800 Number and Secret Shopper Programs	If implemented, all costs associated with the 800 number, secret shopper or other programs as we may require.	As incurred	If implemented, you must participate in programs initiated to verify customer satisfaction and/or your compliance with all operational and other aspects of the System.
Non-Cash Payment System	All costs associated with non-cash payment systems.	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify to enable customers to purchase Authorized La Salsa® Products.
Computer Maintenance	\$500 to \$600 per year	As arranged	If we require you to purchase, use and maintain a computer system.
Legal Fees ¹	\$3,000 - \$6,500	On the date that your purchase of the Restaurant closes.	If you purchase an Operating Restaurant, you may be required to pay our legal fees for the preparation of the purchase and sale documents for each Restaurant purchased as well as your own attorneys' fees.
Private Offer of Securities ¹	The greater of (a) \$5,000 or (b) our costs and out of pocket expenses associated with reviewing the proposed offer.	Before the private offering.	Payable only if the securities, partnership or other ownership interests are offered through a private offering. No securities, partnership or other ownership interests may be offered through a public offering of securities.

Name of Fee	Amount	Due Date	Remarks
Liquidated Damages	An amount equal to twice the total Royalty Fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination	Within 30 days following the date of termination	Payable only if you default and we terminate your Franchise Agreement
Default Reimbursement ¹	Our costs and expenses from your default	Within 5 days after you cure your default or on demand if the default is not cured	Payable only if you default
Interim Management Fee	To be determined	As incurred	If you are in default under the Franchise Agreement, and we elect to assume interim management of your franchised business during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a reasonable fee for management services
Audit ¹	Cost of audit <u>plus</u> 18% interest, or the highest rate allowed by law, on underpayment ⁷	On demand	Payable only if an audit shows an understatement of at least 3% of Gross Sales
Gross-Up Fees	Varies with circumstances	On demand	To ensure that we receive a full 5% of Gross Sales as a Continuing Royalty Fee and the full Advertising Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Continuing Royalty Fees and Advertising Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of the Franchise Agreement.
Renewal Fee (La Salsa® Traditional Restaurants)	\$10,000	When you sign your Renewal Franchise Agreement	This \$10,000 Renewal Fee will be in lieu of the Initial Franchise Fee payable when you "renew" your Franchise Agreement 10 years from now

Name of Fee	Amount	Due Date	Remarks
Renewal Fee (La Salsa® Express Restaurants)	\$5,000	When you sign your Renewal Franchise Agreement for a La Salsa® Express Restaurant	This \$5,000 Renewal Fee will be in lieu of the Initial Franchise Fee payable when you "renew" your Express Restaurant Franchise Agreement 10 years from now
New Product and Supplier Testing	Reasonable cost of inspection and actual cost of testing, ranging from \$1,500 to \$2,500, \$1,500 must be paid as a deposit	As incurred with \$1,500 fee paid as a deposit before facility inspection	If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit to us a written request for this approval or you must request the supplier do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that this information, specifications and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing before granting approval. You must pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the test.

NOTES

- 1 Except as otherwise noted above, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable, except for a portion of the Initial Training Fee for your first Restaurant, if we terminate the Initial Training Agreement or your Franchise Agreement under the circumstances discussed in Item 5 of this Disclosure Document. You authorize us to debit from your designated primary business checking or savings operating account for each "Accounting Period", any funds due and payable to us for Continuing Royalty Fees, Advertising Fees, Rent and occupancy expenses and all other sums that you owe to us or our affiliates.
- 2 An "Accounting Period" means each 1-week period we designate, beginning on execution of the Franchise Agreement.
- 3 If you have a Certified Trainer on staff, you and your Certified Trainer will be responsible for training the buyer of your Restaurant, at your expense, and you will not pay us a training fee. If you do not have a Certified Trainer on staff, we will train the buyer of your Restaurant and one other person, at your expense, and you will pay us a \$10,000 transfer training fee (the "Transfer Training Fee"), before we begin to train your buyer.
- 4 You must maintain insurance of the types and minimum amounts (naming us as an additional insured) that we specify in your Franchise Agreement, the Operations Manual or in supplementary notices. If you execute a Catering Addendum, in addition to the insurance listed above, you must have that insurance as you determine necessary or appropriate for liabilities from your, or your designees', use of any vehicle used to provide Catering Services. You may obtain additional insurance as you may desire. Insurance policies may not be subject to amendment or cancellation without at least 30 days prior written notice to us. You must provide certificates of insurance evidencing coverage on an ongoing basis.
- 5 Interest begins from the date of underpayment.

6 In addition to all other amounts you must pay us under your Franchise Agreement, you must pay us a nonrefundable and continuing fee in the amount of 12% of the monthly 'Catering Services and Additional Services' income from your Restaurant that is subject to sales tax (the "Catering Management Fee"). The Catering Management Fee is payable at the same time and in the same manner as the Continuing Royalty Fee.

7 Interest begins from the date of the underpayment.

As described in Item 1, if you are signing your Franchise Agreement under an existing Area Development Agreement, your fees may be modified if and to the extent required by the terms of your Area Development Agreement.

ITEM 7

ESTIMATED INITIAL INVESTMENT

SINGLE RESTAURANT*

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Build-Out Costs ^{2 & 3}					
Architect, Engineer, Drawings ¹	\$8,000	\$25,000	As arranged	As incurred	Architect, Engineer
Project Manager	\$0	\$10,000	As arranged	As incurred	Project Manager
Permits	\$5,000	\$10,000	Cash	As incurred	City, County State
Leasehold/Construction ^{2 & 4}					
Base building, Interior Improvements, Lighting, Tile, Millwork, Seat Fee Assessment ⁵	\$200,000	\$350,000	As arranged	As incurred	Contractor, City, County State
Furniture, Fixtures, Equipment and Signage ⁶					
Signage	\$7,000	\$15,000	As arranged	As incurred	Approved Supplier
POS System	\$12,000	\$25,000	As arranged	As incurred	Approved Supplier
Computer System ⁷	\$800	\$1,200	As arranged	As incurred	Approved Supplier
Kitchen Equipment, Smallwares, Furniture	\$90,000	\$120,000	As arranged	As incurred	Approved Supplier
Inventory, Uniforms	\$2,000	\$8,000	As arranged	Before opening	Approved Supplier

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Advertising	\$2,500	\$10,000	As arranged	Before opening	Approved Supplier
Other Costs					
Pre-opening training expenses ⁸	\$6,000	\$21,090	As arranged	Before opening	Various Vendors
Application Fee ⁹	\$250	\$250	Cash	At signing	Us
Lease and Security Deposits	\$10,000	\$15,000	Cash (non-refundable)	At signing	Lessor
Insurance - Liability and Workers compensation (initial deposit)	\$2,000	\$3,000	Cash	Monthly premium	Insurance Carriers
Legal Fees	\$1,000	\$3,000	Cash	As incurred	Legal and State
Initial Training Fee ¹⁰	\$10,000	\$10,000	Cash	At signing	Us
Initial Franchise Fee ¹⁰	\$50,000	\$50,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ¹¹	\$42,400	\$73,500	Cash	As incurred	Approved Suppliers and Employees
Grand Total¹⁶	\$448,950	\$750,040			

*ASSUMPTION IN-LINE, END-CAP OR SUBURBAN LOCATIONS,
1,300 TO 1,800 SQUARE FEET IN HIGH DENSITY MARKETS³

**ESTIMATED INITIAL INVESTMENT
3 TRADITIONAL LA SALSA RESTAURANTS**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Build-Out Costs ^{2 & 3}					
Architect, Engineer Drawings ¹	\$24,000	\$75,000	As Arranged	As Incurred	Architect, Engineer

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Project Manager	\$0	\$30,000	As Arranged	As Incurred	Project Manager
Permits/Impact Fees	\$15,000	\$30,000	Cash	As Incurred	City, County, State
Leasehold/Construction⁴					
Base building, Interior Improvements, Lighting, Tile, Millwork	\$600,000	\$1,050,000	As Arranged	As Incurred	Contractor, City, County, State
Furniture, Fixtures, Equipment⁶					
Signage	\$21,000	\$45,000	As Arranged	As Incurred	Approved Supplier
POS System	\$36,000	\$75,000	As Arranged	As Incurred	Approved Supplier
Computer System ⁷	\$2,400	\$3 600	As arranged	As incurred	Approved Supplier
Kitchen Equipment, Smallwares, Furniture	\$270,000	\$360,000	As Arranged	As Incurred	Approved Supplier
Inventory, Uniforms	\$6,000	\$24,000	As Arranged	Before Opening	Approved Supplier
Advertising	\$7,500	\$30,000	As Arranged	Before Opening	Approved Supplier
Other Costs					
Pre-opening training expenses ⁸	\$18,000	\$63,270	As Arranged	Before Opening	Various Vendors
Application Fee ⁹	\$250	\$250	Cash	At signing	Us
Lease and Security Deposits	\$30,000	\$45,000	Cash (non-refundable)	At signing	Lessor
Insurance - Liability and Workers compensation (initial deposit)	\$6,000	\$9,000	Cash	Monthly Premium	Insurance Carriers

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Legal Fees	\$3,000	\$9,000	Cash	As Incurred	Legal and State
Initial Training Fee ¹⁰	\$10,000	\$10,000	Cash	At signing	Us
Initial Franchise Fee ¹⁰ (3 Restaurants)	\$120,000	\$120,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ¹¹	\$127,200	\$220,500	Cash	As Incurred	Approved Suppliers and Employees
Grand Total¹⁶ (for 3 Restaurants)	\$1,296,350	\$2,199,620			

**ESTIMATED INITIAL INVESTMENT
EXPRESS RESTAURANT¹²**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
BUILD-OUT COSTS ^{2 & 3}					
Architect, Engineer, Drawings ¹	\$8,000	\$20,000	As arranged	As incurred	Architect, Engineer
Project Manager	\$0	\$10,000	As arranged	As incurred	Project Manager
Permits	\$1,500	\$10,000	Cash	As incurred	City, County, State
Leasehold/Construction ¹³					
Base building, Interior Improvements, Lighting, Tile, Millwork, Seat Fee Assessment ^{5 & 13}	\$35,000	\$175,000	As arranged	As incurred	Contractor, City, County State
Furniture, Fixtures and Equipment ^{6 & 12}					
Signage	\$5,000	\$22,000	As arranged	As incurred	Approved Supplier
POS System	\$12,000	\$20,000	As arranged	As incurred	Approved Supplier

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Computer System ⁷	\$800	\$1,200	As arranged	As incurred	Approved Supplier
Kitchen Equipment; Smallwares	\$90,000	\$120,000	As arranged	As incurred	Approved Supplier
Furniture	\$5,000	\$20,000	As arranged	As incurred	Approved Supplier
Inventory, Uniforms	\$3,000	\$6,000	As arranged	Before opening	Approved Supplier
Advertising	\$2,500	\$6,000	As arranged	Before opening	Approved Supplier
OTHER COSTS					
Pre-opening training expenses ⁸	\$6,000	\$15,000	As arranged	Before opening	Various Vendors
Application Fee ⁹	\$250	\$250	Cash	At signing	Us
Lease and Security Deposits	\$0	\$15,000	Cash (non-refundable)	At signing	Lessor
Insurance - Liability and Workers compensation (initial deposit)	\$2,000	\$3,000	Cash	Monthly premium	Insurance Carriers
Legal Fees	\$1,000	\$3,000	Cash	As incurred	Legal and State
Initial Training Fee ¹⁰	\$10,000	\$10,000	Cash	At signing	Us
Initial Franchise Fee ¹⁰	\$25,000	\$25,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ¹¹	\$0	\$6,000	Cash	As incurred	Approved Suppliers and Employees
Grand Total¹⁶	\$207,050	\$487,450			

ESTIMATED INITIAL INVESTMENT

PURCHASE PROGRAM OPERATING RESTAURANT

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Purchase Price for Assets of Operating Restaurant ¹⁴	\$300,000	\$2,000,000	Cash (non-refundable)	Upon closing of purchase	Operating Company
Pre-Paid Rent & Security Deposits ¹⁴	\$12,000	\$25,000	Cash (non-refundable)	Upon closing of purchase	Operating Company
Insurance - Liability & Workers compensation (initial deposit)	\$2,000	\$3,000	Cash	Monthly premium	Insurance Carriers
Computer System ⁷	\$800	\$1,200	As arranged	As incurred	Approved Supplier
Application Fee	\$250	\$250	Cash	At signing	Us
Legal Fees (Seller & Buyer) ¹⁵	\$3,000	\$10,000	Cash	As incurred	Legal and State
Initial Training Fee ¹⁰	\$10,000	\$10,000	Cash	At signing	Us
Initial Franchise Fee ¹⁰	\$50,000	\$50,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ¹¹	\$42,400	\$73,500	Cash	As incurred	Approved Suppliers and Employees
Grand Total¹⁶	\$420,450	\$2,172,950			

ESTIMATED INITIAL INVESTMENT
AREA DEVELOPMENT AGREEMENT (A MINIMUM OF 5 RESTAURANTS)
YOUR ESTIMATED INITIAL INVESTMENT PER RESTAURANT

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Build-Out Costs ^{2 & 3}					
Architect, Engineer, Drawings ¹	\$8,000	\$25,000	As arranged	As incurred	Architect, Engineer
Project Manager	\$0	\$10,000	As arranged	As incurred	Project Manager
Permits	\$5,000	\$10,000	Cash	As incurred	City, County State
Leasehold/Construction ⁴					
Base building, Interior Improvements, Lighting, Tile, Millwork, Seat Fee Assessment ⁵	\$200,000	\$350,000	As arranged	As incurred	Contractor, City, County State
Furniture, Fixtures, Equipment and Signage ⁶					
Signage	\$7 000	\$15,000	As arranged	As incurred	Approved Supplier
POS System	\$12,000	\$25,000	As arranged	As incurred	Approved Supplier
Computer System ⁷	\$800	\$1,200	As arranged	As incurred	Approved Supplier
Kitchen Equipment, Smallwares, Furniture	\$90,000	\$120,000	As arranged	As incurred	Approved Supplier
Inventory, Uniforms	\$2,000	\$8 000	As arranged	Before opening	Approved Supplier
Advertising	\$2,500	\$10,000	As arranged	Before opening	Approved Supplier
Other Costs					
Pre-opening training expenses ⁸	\$6,000	\$21,090	As arranged	Before opening	Various Vendors
Application Fee ⁹	\$250	\$250	Cash	At signing	Us

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
	LOW	HIGH			
Lease and Security Deposits	\$10,000	\$15,000	Cash (non-refundable)	At signing	Lessor
Insurance - Liability and Workers compensation (initial deposit)	\$2,000	\$3,000	Cash	Monthly premium	Insurance Carriers
Legal Fees	\$1,000	\$3,000	Cash	As incurred	Legal and State
Initial Training Fee ¹⁰	\$10,000	\$10,000	Cash	At signing	Us
Initial Franchise Fee ¹⁰	\$50,000	\$50,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ¹¹	\$42,400	\$73,500	Cash	As incurred	Approved Suppliers and Employees
Grand Total (per Restaurant)¹⁶	\$448,950	\$750,040			

**** Note, however, that the total initial investment required for 5 Restaurants under the Area Development Agreement is between approximately \$2,203,750 and \$3,709,200, because the Initial Training Fee must only be paid once and only one Application Fee for one owner is necessary for all 5 locations**

The charts above describe the estimated initial investment for a La Salsa® Traditional Restaurant, 3 Restaurant Purchase Program, a La Salsa® Express Restaurant, an Operating Restaurant, and an Area Development Agreement. Please see footnote 7 below regarding the Initial Training Program. Except as described in Item 10 below, we currently do not offer financing for any purpose, but reserve the right to do so in the future. We do not guarantee your note, lease or obligation.

NOTES

1 Applies to non-union labor

2 Does not include demolition, site work or purchase of real estate. If you are signing a Renewal Franchise Agreement, this table is not applicable to you because your La Salsa® Restaurant is currently open and operating, but under Section 5.5.2 of the Franchise Agreement we may require you to remodel, renovate, modernize or refurbish your La Salsa® Restaurant to our then-current standards.

3 You must complete the Initial Training Program and obtain a proposed site for your Restaurant and sign your Franchise Agreement within 6 months after signing the Initial Training Agreement (**Exhibit A**), and you must open your Restaurant for business within 12 months after signing the Franchise Agreement unless we agree otherwise. You may not open your La Salsa® Restaurant at the Franchised Location for business until you have received our written authorization, which may be conditional and subject to our satisfactory inspection of the Restaurant at the Franchised Location. You must lease or purchase a location accepted by us and construct, remodel, alter and improve it to our specifications. These estimates assume that your location will be a leased, unimproved and unfinished retail store-type unit. If you purchase real estate, your initial investment will be greater, the exact amount depending upon the size and location of the premises. A typical La Salsa® Traditional

Restaurant will be located in a suburban area on a major thoroughfare or adjacent to or part of a suburban shopping center. The typical traditional location will be 1,300 to 1,800 square feet, not including patio area. Monthly lease payments usually range from \$4,000 to \$12,000. The typical La Salsa® Express Restaurant site will be 600 to 1,200 square feet. Monthly lease payments usually range from \$2,500 to \$8,000. You must perform or have performed any construction, remodeling or additions necessary to cause the premises to conform to applicable Federal, State, County, City local laws, ordinances, codes, rules and regulations governing food service businesses and to meet our requirements for the layout design, construction, fixturing, equipment and installation, and trade dress appearance of a La Salsa® Restaurant. Construction and remodeling costs vary widely, depending upon the location, design, configuration and condition of the premises, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, and the terms of your lease. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in the Restaurant, in accordance with a Security Agreement in a form substantially similar to the Security Agreement attached to the Asset Purchase Agreement (**Exhibit D**) as Attachment F.

- 4 The Construction Costs presented include all estimated costs incurred in construction and remodeling a location to conform to our current standards, including a general contractor's fee (generally equal to 10% to 15% of total construction costs), contractor's insurance, materials and supplies, tools, labor and subcontractor fees, and other costs to construct leasehold improvements conforming to our standards.
- 5 Selected counties charge a 1-time fee referred to as a "seat fee" calculated on the basis of \$300 to \$600 per seat in the restaurant for new restaurant space which is space that has not been designated as "food service" or restaurant before your business.
- 6 You must prepare and sell all of the menu items as we designate as part of our standard menu and provide all standard services we designate periodically. If any special or additional equipment or fixtures are needed to provide those services or menu items, you must acquire that equipment or fixture, the cost of which may be significant.
- 7 If we require you to do so, you must establish an Intranet through which you may communicate to us and other franchisees. Upon not less than 60 days prior written notice from us, you will purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by us in writing for use in connection with the Restaurant at the Franchised Location. The estimate provided represents the purchase of a standard computer system, capable of accessing the Internet via an internet service provider (such as AT&T, Verizon, Cox, etc.). The estimate may be more or less depending on the type of system you purchase.
- 8 You must make arrangements for and pay the expenses of persons attending the Initial Training Program including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates costs for 2 supervisory or managerial personnel who attend the Initial Training Program for 6 to 8 weeks. If you operate 3 or more La Salsa Restaurants under an Area Development Agreement, you may apply to offer the Initial Training Program for the employees of each Restaurant at your training facility (which may be a La Salsa Restaurant). We may certify you to offer the Initial Training Program if you meet our standards, your training facility has been certified by us and your designated training manager has been certified by us. You must reimburse us for the travel, living and other expenses incurred in evaluating your facility and your training manager.
- 9 You must pay us an Application Fee of \$250 for each person who will own an ownership interest in your Franchise. The Application Fee is uniform to all individuals applying to purchase a Franchise and is not refundable. The chart above assumes there will be one person who has an ownership interest in your Franchise. Only one application fee is due per owner even if that owner will own an ownership interest in more than one Franchise.

10 The Initial Franchise Fee is \$50,000 for each La Salsa® Traditional Restaurant and Operating Restaurant. The Initial Franchise Fee is \$25,000 for each La Salsa® Express Restaurant. The Initial Franchise Fee is \$40,000 for each Franchise purchased under our 3 Restaurant Program. The Initial Training Fee and Initial Franchise Fee are described in Item 5 of this Disclosure Document. Your Designated Trainees must complete our Initial Training Program to our satisfaction for you to be eligible to become a Franchisee. If there are no new Designated Trainees, you will not be required to pay the Initial Franchise Fee for subsequent franchised businesses after your first. Other than for an Express Restaurant, if your Designated Trainees complete the Initial Training Program to our satisfaction, we will apply the entire \$10,000 Initial Training Fee toward your Initial Franchise Fee. The Initial Training Fee for La Salsa® Express Restaurants is not credited against the Initial Franchise Fee for La Salsa® Express Restaurants or toward any fees in the event of a transfer or assignment, and is in addition to the Initial Franchise Fee. Other than for an Express Restaurant, or when you pay the Initial Training Fee in the event of a transfer or an assignment, if your Designated Trainees do not complete the Initial Training Program to our satisfaction, we will refund \$2,000 of the Initial Training Fee to you within 30 days.

You will also be responsible for costs of travel, living, compensation and other expenses. If you sign an Area Development Agreement, you must pay an Initial Franchise Fee equal to \$50,000 multiplied by the number of La Salsa Restaurants which you must open. The Grand Total figures in the charts above do not reflect the \$10,000 credit for the Initial Training Fee which will be applied toward the Initial Franchise Fee if your Designated Trainees complete the Initial Training Program to our satisfaction.

We generally do not provide financing for the Initial Training Fee or, Initial Franchise Fee. We may do so if and when we determine, in our sole discretion, it is warranted by a unique or compelling situation. Please see Item 10 for further information.

11 You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under the Franchise Agreement and to cover the risks and contingencies of the franchised business for at least 3 months. These estimates do not include pre-opening training expenses, pre-opening food waste, managerial salaries or any payment to you. These estimates also do not take into account (i) the finance charges, interest and related costs you may incur if any portion for the initial investment is financed, or (ii) the costs of a security system, which we estimate will cost between \$500 to \$750 per month to lease, or music system, which we estimate to cost between \$450 and \$500 per month to lease. These amounts are the minimum recommended levels to cover operating expenses, including employee's salaries for 3 months. However, we cannot guarantee that those amounts will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your Franchise during the 'initial phase' of your business, which is defined as a 3 month period, or longer if "reasonable for the industry" ('reasonable period'). We are not aware of any established longer "reasonable period" for the restaurant industry, so our Disclosure Document only covers a 3 month period. We make no guarantee, and do not intend to imply, that 3 months is a 'break even' point for you to recover your initial investment in your Restaurant. We make no representation regarding how long it will take you to recover your initial investment or to become profitable. We relied on our experience and that of our predecessor and affiliates when preparing these figures. If you wish to provide Catering Services from your Restaurant, we estimate the cost for additional supplies (such as chafing dishes, warmers and other supplies) will be approximately \$2,000 to \$4,000.

12 Our experience with sites for La Salsa® Express Restaurants is that, generally, there are no specific costs associated with acquiring real property since the La Salsa® Express Restaurant Franchisee typically already has a contract with the owner of the Facility to provide foodservice at the Facility. Therefore, a La Salsa® Express Restaurant Franchisee should not incur additional real property costs for the site of a La Salsa® Express Restaurant.

- 13 Our experience with building and site improvement costs at La Salsa® Express Restaurants has varied dramatically. Accordingly, it is difficult to estimate the costs except in a very broad range. These costs are heavily dependent on the condition of the Facility and the venues of the location (i.e., food court, in-line space, concession location, etc.). In some instances, it also may be dependent on the amount of improvements required by the owner of the Facility.
- 14 The purchase price of an Operating Restaurant typically depends on the business's gross cash flow, the remaining term of the master lease and the value of the leasehold. In the typical case, you will purchase all assets of the Restaurant owned by LAS Acquisition, including the goodwill of the business other than the goodwill associated with the various Marks, receive an assignment of all relevant commercial contracts and sublease the Restaurant premises from LAS Acquisition under a Sublease (the **Sublease**) substantially in the form of **Attachment E** to the Asset Purchase Agreement. In the typical case, you will pre-pay 1 month's rent and a security deposit equal to 1 to 3 months' rent for the Restaurant premises when you complete the purchase of the assets. LAS Acquisition will generally retain all liabilities of the former business. The purchase price and the terms of the Asset Purchase Agreement and its Attachments will vary considerably among Restaurants, depending upon the gross cash flow for the existing business, the value of the leasehold, any unique characteristics regarding each transaction and Restaurant, financing arrangements and other factors, and are negotiable. Your rent payable under the Sublease will be subject to the same adjustments provided for in the Master Lease and will increase over the term of the Sublease in the same amounts that LAS Acquisition's rent increases under the Master Lease.
- 15 If you purchase an Operating Restaurant, you will be required to pay our legal fees for the preparation of the purchase and sale documents as well as your own attorneys' fees.
- 16 All amounts are non-refundable unless otherwise noted. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue.

Restaurant Location, Goods Services, Supplies, Fixtures, Equipment, and Inventory

Restaurant Location You are solely responsible for locating your Restaurant site, the Franchised Location, subject to our acceptance. Unless we notify you in writing, within 20 days after you have submitted a site presentation package for a proposed site, or 10 days after receipt of additional information which we request, whichever is later, that the proposed site is acceptable, the site will be deemed rejected. If your Restaurant has not yet been constructed, or does not meet our current standards for new La Salsa® Restaurants, you must cause the Restaurant to be constructed, equipped and improved in compliance with our specifications described in the Manuals. You may not relocate your Restaurant without our prior written consent.

Construction Project Management You must retain the services of a construction project manager whom we approve (the **Project Manager**) to oversee the construction, or to construct, your La Salsa® Restaurant. The Project Manager may (i) act as a project manager and oversee the design and construction process, or (ii) act as your general contractor, and actually design and construct your Restaurant. You are solely responsible for the costs charged by the Project Manager in the amounts agreed upon directly between you and the Project Manager. Currently, our approved supplier for construction project management services is Bovis Lend Lease.

We currently do not receive any payment, commissions or other compensation from Bovis Lend Lease, but we reserve the right to do so in the future.

After you sign a lease or purchase contract for your Franchised Location, and prior to commencement of the construction of your La Salsa® Restaurant, you must promptly submit to us, the Project Manager, the landlord (if you are leasing the site of the Franchised Location) and local authorities all requisite drawings, designs, plans and specifications for approval, and must obtain all required permits and certifications, including those that satisfy all zoning, building, access, sign, fire and health requirements

Goods, Supplies, Inventory and Services You must serve all and only the products we authorize (**Authorized La Salsa® Products** ') You must purchase and maintain in inventory a sufficient amount of Authorized La Salsa® Products to operate your franchised business You must purchase all products which bear any of our trademarks, solely and exclusively from us, an affiliate or a producer, manufacturer, supplier or service provider we approve ("**Approved Supplier**")

We may specify (i) certain proprietary salsa products, spice mixes, beverages, food products and other ingredients and raw materials, which are grown, produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas and (ii) certain packaging, POS Systems, computer hardware, software, modems and peripheral equipment (collectively the "**Proprietary Products**") You must buy Proprietary Products only from us, or our affiliates (if they sell them) or our designated supplier If you elect to purchase Proprietary Products from an affiliate or us, they may derive profits from these purchases We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Proprietary Products to you or any third party You must purchase, use, and maintain in stock Proprietary Products in sufficient quantities to operate your franchised business We are currently not the only approved supplier of Proprietary Products

We may designate certain non-proprietary food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, which you may or must use or sell at the Restaurant (collectively the '**Non-Proprietary Products**') You may use, offer or sell only those Non-Proprietary Products that we expressly authorize You may purchase Non-Proprietary Products from (i) us or one of our affiliates (if an affiliate sells them) (ii) suppliers we designate or (iii) suppliers you select that we approve in advance in writing Each supplier we designate or approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, freshness and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the System We may limit certain items to a particular brand or brands set by us (e.g., beverages) To purchase items from us or one of our affiliates, you must use the form of purchase order we provide We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees

Equipment and Fixtures You must purchase and install, at your expense, all fixtures, furnishings, equipment (including point-of-sale cash collection system), décor and signs as we direct You may not install on or about your Restaurant any merchandise, furnishings, interior or exterior decor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing You may purchase these items from a La Salsa® Approved Supplier You are not obligated to purchase from a particular approved seller, but must use specific brands of equipment, or comparable brands of equipment, subject to our prior written approval We may permit you to use comparable brands of equipment, subject to our prior written approval

Computer Equipment Currently you must purchase or lease a computer system and use the required financial reporting and inventory control software, which we approve and which meets the specifications described in the Manuals (the **La Salsa® Computer System** ') You will be required to maintain the La Salsa® Computer System in good repair and working order, including installing program software updates we specify or supply or purchase from approved vendors

Insurance You must maintain insurance of the types and minimum amounts (naming us as an additional insured) that we specify in your Franchise Agreement, the Operations Manual or in supplementary notices If you

execute a Catering Addendum, in addition to the insurance listed above, you must have that insurance as you determine necessary or appropriate for liabilities from your, or your designee's, use of any vehicle used to provide Catering Services. You may obtain additional insurance as you may desire. Insurance policies may not be subject to amendment or cancellation without at least 30 days prior written notice to us. You must provide certificates of insurance evidencing coverage on an ongoing basis. Your coverage must include Employment Practices Liability Insurance.

Approval of Suppliers We, or our affiliates, may sell certain supplies, inventory, sauces, mixes, ingredients, and other food products, packaging, hardware, software and other materials to you and our other La Salsa® franchisees. Presently, there are no products or services for which we, or our affiliates, are the sole approved supplier.

We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. Upon request, we will furnish to you an approved list of suppliers which we may update periodically. You must operate your La Salsa® Restaurant in strict compliance with the standard procedures, policies, rules and regulations contained in the Manual.

If you wish to procure any items from a supplier other than us or a supplier we designate, you must obtain our approval in the manner described in Section 9.3.2 of the Franchise Agreement that basically requires that you identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample. Our specification and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval among other things on the supplier agreeing in writing not to disclose any Confidential Information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives be permitted to inspect the supplier's facilities and that this information, specifications and samples as we reasonably designate be delivered to us and/or to an independent certified laboratory designated by us for testing before granting approval. You must pay a fee not to exceed the reasonable cost of inspection and the actual cost of the test. In addition to product testing, a facility audit may be required. If we tentatively approve a request for an alternative supplier, you must submit a check for \$1,500 to us as a deposit against the costs we incur in inspecting the supplier's facility, which must occur before final approval. You will be responsible for any additional costs and expenses associated with the inspection of the facility. We will use our good faith efforts to notify you of our decision in writing within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you. We regularly negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Restaurant is located, you must participate in the purchasing program.

We estimate that 100% of your expenditures for leases and purchases in establishing your La Salsa® Restaurant and in operating the business 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).

You will not receive any material benefits from us or any supplier other than as listed above. We do not provide or withhold material benefits to you based on whether or not you purchase through the sources we designate or approve (except, that your purchase of items from unapproved suppliers would breach your Franchise Agreement and subject you to possible termination and other remedies under applicable law).

Effective as of February 22, 2007, Fresh Enterprises entered into an agreement with Coca-Cola North America FoodService under which Coca Cola products would be exclusively sold in all La Salsa® Restaurants. La Salsa Franchise, LLC received total volume rebates from Coca Cola North America Food Service during the fiscal year ending December 28, 2015 in the amount of \$27,000 for all La Salsa Restaurants, which is approximately 9.8% of the total marketing revenues of \$273,000 earned during the fiscal year ending December 28, 2015. In addition, we or our affiliates may in the future receive rebates and/or allowances, usually ranging from between 2% to 4%, from certain suppliers on purchases made by you and other La Salsa franchisees. These rebates and/or allowances are generally based upon a percentage of franchisee purchases, will be included in our general revenue, and may be used by us for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from our franchisees' customers and our general and administrative expenses. We may use rebate and allowance funds received from our suppliers for any purpose in our sole and absolute discretion. Except as stated above, none of our revenue was received from purchases of products and services by franchisees during the fiscal year ending December 28, 2015.

We did not receive any payments from suppliers during the fiscal year ending December 28, 2015. Although we do not receive any revenues from required purchases or leases of products and services, we and you may receive price discounts based on volume purchases. Presently, there are no purchasing or distribution Co-Ops. None of our officers own an interest in any of our approved suppliers.

Credit Cards You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with your operation of the Restaurant, you are required to maintain the security of cardholder data and adhere to the then-current PCI DSS, currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

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.

<u>OBLIGATION</u>	<u>SECTION(S) IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEMS</u>
a) Site selection and acquisition/lease	Section 5 of the Franchise Agreement, Section 6.1 of the Area Development Agreement, Section 1(B) of the Express Restaurant Franchise Agreement	Items 8, 11 and 16
b) Pre-opening purchases/leases	Section 5 of the Franchise Agreement, Section 10 of the Express Restaurant Franchise Agreement.	Items 5 and 16
c) Site development and other pre-opening requirements	Section 5.4 of the Franchise Agreement, Section 6 of the Area Development Agreement, Section 10 of the Express Restaurant Franchise Agreement	Items 7, 11 and 16

<u>OBLIGATION</u>	<u>SECTION(S) IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEMS</u>
d) Initial and ongoing training	<u>Section 2</u> of the Initial Training Agreement, <u>Section 6</u> of the Franchise Agreement <u>Section 8</u> of the Express Restaurant Franchise Agreement.	Items 6 and 11
e) Opening	<u>Sections 5 4</u> and <u>6 1</u> of the Franchise Agreement, <u>Section 10(e)</u> and <u>Attachment A</u> of the Express Restaurant Franchise Agreement.	Item 11
f) Fees	<u>Sections 2</u> and <u>3</u> of the Initial Training Agreement, <u>Section 4</u> of the Franchise Agreement, <u>Section 5</u> of the Area Development Agreement, <u>Sections 2</u> and <u>3</u> of the Express Restaurant Franchise Agreement; <u>Sections 3(a), 3(b), 3(c), 3(f)</u> and <u>12(b)</u> of the Asset Purchase Agreement	Items 5 and 6
g) Compliance with standards and policies/ Manuals	<u>Section 2</u> of the Initial Training Agreement, <u>Section 7</u> of the Franchise Agreement, <u>Section 6</u> of the Express Restaurant Franchise Agreement.	Item 11
h) Trademarks and proprietary information	<u>Section 6</u> of the Initial Training Agreement, <u>Section 11</u> of the Franchise Agreement, <u>Section 11</u> of the Express Restaurant Franchise Agreement	Items 11, 13 and 14
i) Restrictions on products/services offered	<u>Sections 7 6, 7 8, 7 13</u> and <u>7 14</u> of the Franchise Agreement, <u>Sections 10(A)</u> and <u>10(B)</u> of the Express Restaurant Franchise Agreement	Items 8 and 16
j) Warranty and customer service requirements	Not Applicable	Not Applicable
k) Territorial development and sales quotas	<u>Section 2 1</u> of the Area Development Agreement	Item 12
l) Ongoing product/service purchases	<u>Section 9</u> of the Franchise Agreement; <u>Section 10</u> of the Express Restaurant Franchise Agreement.	Item 16
m) Maintenance, appearance and remodeling requirements	<u>Sections 3 4 6</u> and <u>5 5</u> of the Franchise Agreement, <u>Section 10(A), 10(D)</u> and <u>17(E)</u> of the Express Restaurant Franchise Agreement, <u>Section 15</u> of the Asset Purchase Agreement	Items 7 and 16
n) Insurance	<u>Section 16</u> of the Franchise Agreement, <u>Section 12</u> of the Express Restaurant Franchise Agreement	Items 6 and 8

<u>OBLIGATION</u>	<u>SECTION(S) IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEMS</u>
o) Advertising	<u>Section 8</u> of the Franchise Agreement, <u>Section 5</u> of the Express Restaurant Franchise Agreement.	Items 6, 11 and 13
p) Indemnification	<u>Sections 13 2 4, 13 3 4</u> and <u>17 2</u> of the Franchise Agreement, <u>Sections 7 3(c), 10 1</u> and <u>10 2</u> of Area Development Agreement, <u>Section 20</u> of the Express Restaurant Franchise Agreement	Items 6, 12 and 17
q) Owner's participation/management/staffing	<u>Section</u> of the Initial Training Agreement, <u>Section 6 1 1</u> of the Franchise Agreement, <u>Sections 10(F)</u> and <u>10(G)</u> of the Express Restaurant Franchise Agreement	Item 15
r) Records and reports	<u>Sections 10 1</u> and <u>10 4</u> of the Franchise Agreement, <u>Section 4</u> of the Express Restaurant Franchise Agreement	Item 6
s) Inspections and audits	<u>Sections 10 2</u> and <u>10 3</u> of the Franchise Agreement, <u>Sections 4(C)</u> and <u>9(D)</u> of the Express Restaurant Franchise Agreement	Item 6
t) Transfer	<u>Section 8 19</u> of the Initial Training Agreement, <u>Section 13</u> of the Franchise Agreement, <u>Section 7 3</u> of the Area Development Agreement, <u>Section 14</u> of the Express Restaurant Franchise Agreement	Items 6 and 17
u) Renewal	<u>Sections 3 2, 3 3</u> and <u>3 4</u> of the Franchise Agreement, <u>Section 4 2</u> of the Area Development Agreement, <u>Section 2(B)</u> of the Express Restaurant Franchise Agreement	Items 6 and 17
v) Post-termination obligations	<u>Section 15</u> of the Franchise Agreement, <u>Section 4 5</u> of the Area Development Agreement, <u>Sections 11(A), 11(I), 15(B)</u> and <u>17</u> of the Express Restaurant Franchise Agreement	Items 6 and 17
w) Non-competition covenants	<u>Section 12</u> of the Franchise Agreement, <u>Section 8</u> of the Area Development Agreement, <u>Sections 15(A), 15(B)</u> and <u>17(G)</u> of the Express Restaurant Franchise Agreement	Item 17

<u>OBLIGATION</u>	<u>SECTION(S) IN AGREEMENT</u>	<u>DISCLOSURE DOCUMENT ITEMS</u>
x) Dispute resolution	<u>Sections 7 and 8 11</u> of the Initial Training Agreement; <u>Section 18</u> of the Franchise Agreement; <u>Section 11</u> of the Area Development Agreement; <u>Section 23</u> of the Express Restaurant Franchise Agreement; <u>Section 17</u> of the Asset Purchase Agreement	Item 17
y) Taxes and Permits	<u>Sections 9(f), 9(h), 12(a) and 12(b)</u> of the Asset Purchase Agreement	Items 1 and 7
z) Computer hardware and software	<u>Section 7 3</u> of the Franchise Agreement; <u>Section 4(A) and 10(C)</u> of the Express Restaurant Franchise Agreement	Item 16
aa) Other (Owners/Shareholder s Guarantee)	Section 13 3 of the Restaurant Franchise Agreement; Section 7 2 (viii) of the Area Development Agreement	Item 15
bb) Security Interest	Section 4 9 of the Franchise Agreement	Item 10

**ITEM 10
FINANCING**

ITEM FINANCED (SOURCE)	AMOUNT FINANCED	DOWN PAYMENT	TERMS (YRS)	APR %	MONTHLY PAYMENT	PREPAY PENALTY	SECURITY REQUIRED	LIABILITY UPON DEFAULT	LOSS OF LEGAL RIGHT ON DEFAULT
SELLER FINANCING									
Purchase Price for Operating Restaurant	A portion of purchase price	Varies	Varies 2 - 10 year amortization, all due in 30 months	Varies Variable interest rate equal to greater of prime rate of interest plus 3% or 11% adjusted semi-annually	Varies	None	Personal Guarantee, security interest on assets of Restaurant	Loss of franchise and/or repossession of assets of Restaurant	Waive presentment for payment, notice of dishonor and protest.
INITIAL FRANCHISE FEE									
Initial Franchise Fee for some or all of the Franchises you purchase	All or some of the Initial Franchise Fee for some or all of the Franchises you purchase	Varies	Varies 2 - 10 year amortization, all due in 30 months	Varies Variable interest rate equal to greater of prime rate of interest plus 3% or 11% adjusted semi-annually	Varies	None	Personal Guarantee, security interest on assets of Restaurant	Loss of franchise and/or repossession of assets of Restaurant	Waive presentment for payment, notice of dishonor, and protest
Leased Space for Franchised Location	Not Applicable	Not Applicable	5 - 10 years	Not Applicable	Varies	None	Note 4	Loss of franchise, back rent damages and attorneys' fees	None

Seller Financing LAS Acquisition may, but is not required to, finance a portion of the purchase price for an Operating Restaurant that it believes is appropriate under the circumstances if you purchase an Operating Restaurant from LAS Acquisition under our current Asset Purchase Agreement (**Exhibit D**) and applicable attachments. LAS Acquisition's financing generally will be based upon a 2 to 10 year amortization, all due and payable within 30 months, with interest at a variable interest adjusted every 6 months after the closing date of your purchase of the Restaurant at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, **plus** 3%, or 10% per annum. You must pay LAS Acquisition a loan fee equal to 1/2 of 1% of the amount LAS Acquisition finances and LAS Acquisition's purchase and financing document preparation legal fees on the closing date. You must sign a Secured Promissory Note (in a form substantially similar to the Secured Promissory Note attached as **Attachment E** to the Asset Purchase Agreement) in LAS Acquisition's favor in the amount financed (the "**Purchase Note**") Monthly payments will vary depending upon interest rates, term of note, down payment, etc.

Payment of the Purchase Note will be secured by a security interest that you will grant LAS Acquisition in the purchased assets in accordance with a Security Agreement (in a form substantially similar to the Security Agreement attached to the Asset Purchase Agreement as **Attachment F**) (the '**Security Agreement**') that you and LAS Acquisition will sign on the closing date. LAS Acquisition will file notice of its security interest with a UCC-1 financing statement. If you are a corporation, limited liability company, limited partnership or other business entity, LAS Acquisition may require your shareholders, managing members and limited partners to guarantee all of your obligations to LAS Acquisition under the Purchase Note and Security Agreement under our Guarantee (**Exhibit I**). If you default on any payment of principal or interest for more than 10 days, the Purchase Note will immediately become due at the option of LAS Acquisition. Failure to make the payments required by the Purchase Note may result in termination of the Franchise Agreement, and possibly any other agreement between you and us, LAS Acquisition or our affiliates, and LAS Acquisition's repossession of the Franchised Unit and the Franchised Location. If LAS Acquisition must pursue collection of the Purchase Note, LAS Acquisition may require you to pay for its legal fees and expenses.

Initial Franchise Fee The Initial Franchise Fee is generally paid in full when you sign our Franchise Agreement, however, we may, at our option, reduce, waive, defer or finance a portion of the Initial Franchise Fee if and when we determine, in our sole discretion, it is warranted by a unique or compelling situation. If we do provide financing, financing will generally, but not always, be based upon a 2 - 10 year amortization, all due and payable within 30 months, with interest at a variable interest adjusted every 6 months after the closing date of your purchase of the Franchise at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus 3%, or 11% per annum. Currently, the maximum interest rate we charge to La Salsa franchisees in California is 9%. You must sign a Secured Promissory Note (in a form substantially similar to the Secured Promissory Note attached as **Attachment E** to the Asset Purchase Agreement) in our favor in the amount financed. Monthly payments will vary depending upon interest rates, term of note, down payment, the amount financed, etc.

Payment of the Promissory Note will be secured by a security interest that you will grant us in the assets of your Restaurant in accordance with a Security Agreement (in a form substantially similar to the Security Agreement attached to the Asset Purchase Agreement as **Attachment F**) that you and we will sign on the closing date. We will file notice of our security interest with a UCC-1 financing statement. If you are a corporation, limited liability company, limited partnership or other business entity, we may require your shareholders, members and limited partners to guarantee all of your obligations to us under the Promissory Note and Security Agreement under our Guarantee (**Exhibit I**). If you default on any payment of principal or interest for more than 10 days or if you are in default under your Franchise Agreement, the Promissory Note will immediately become due at our option. Failure to make the payments required by the Promissory Note may result in termination of the Franchise Agreement, and possibly any other agreement between you and us, LAS Acquisition or our affiliates, and our repossession of the Franchised Unit and the Franchised Location. If we are required to pursue collection of the Promissory Note, we may require you to pay for our legal fees and expenses.

You may prepay the Promissory Note with no prepayment penalty. You waive all rights of presentment, protest and demand, notice of protest, demand, dishonor and nonpayment of the Promissory Note, notice of acceleration, notice of intent to accelerate, and any and all other similar notices, except the notice of default to be given if you

don't make your payments under the Promissory Note. You are not barred from asserting a defense against us, but if any legal action is brought to enforce or collect the Promissory Note, the prevailing party will be entitled to reasonable attorney's fees and costs, including any and all costs of collection, in addition to any other relief to which that party may be entitled.

We currently do not offer financing for any other purpose, but reserve the right to do so in the future. We may in the future assign or discount our loans to a third party. If your loan is assigned, you may lose any defenses you have as a result of the assignment.

Subleases If you purchase an Operating Restaurant from LAS Acquisition, you will generally sublease the Franchised Location from LAS Acquisition under a Sublease. The precise terms of a Sublease can vary depending upon many factors, including the size and location of the Restaurant premises. If you do not make a rent payment on time, LAS Acquisition can collect the unpaid rent and other damages. In addition, you must pay LAS Acquisition a security deposit equal to 1 to 3 month's rent. If you default under the Sublease, LAS Acquisition may apply your deposit against the amount you owe and you must restore the security deposit to its original amount within 10 days after a demand for payment. The Sublease is **Attachment E** to the Asset Purchase Agreement. If you are in default under a Sublease, LAS Acquisition can terminate the Sublease and take over the Restaurant and we can terminate your Franchise Agreement. LAS Acquisition can also obtain court costs and attorneys' fees following enforcement of the Sublease. Payment of your obligations under the Sublease will be secured by a security interest that you will grant LAS Acquisition in the assets of the Restaurant in accordance with a Security Agreement (in a form substantially similar to the Security Agreement attached to the Asset Purchase Agreement as **Attachment F**) that you and LAS Acquisition will sign on the closing date. LAS Acquisition will file notice of its security interest with a UCC-1 financing statement. Sublessees may be individuals or entities which meet our then current requirements for non-individual franchisees. These requirements may include the signing of our Guarantee (**Exhibit I**) by some or all of the individuals holding an equity interest in the Sublessee/Franchisee.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Before Opening We have the following obligations to you before you open your Restaurant for business:

1 **Restaurant Site Selection Assistance** You are solely responsible for selection of the proposed site of your Restaurant, which will be subject to our review and acceptance. We may, without obligation, assist you in locating a proposed site only after you sign the Franchise Agreement and pay the Initial Franchise Fee. If we do not accept the site within 20 days of your site presentation package, or within 10 days after receipt of additional information, whichever is later, the proposed site shall be deemed rejected. You may not construe any assistance we may provide, or our acceptance as a guarantee or other assurance that the proposed site will be successful. The factors we consider in accepting Restaurant locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If your Restaurant is not operational within 12 months after signing your Franchise Agreement, we may terminate the Franchise Agreement (**Franchise Agreement, Sections 5.1.1 and 5.1.2**). We do not provide this assistance if you are signing your Franchise Agreement with the renewal of an existing Franchise.

2 **Site Design Assistance** We will provide a copy of our specifications for the décor and layout of the Restaurant and required fixtures, equipment, furnishings, décor, trade dress and signs. You are responsible for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval within 60 days after signing your Franchise Agreement, and in any event, before you begin construction of your Restaurant. You are responsible for the cost of construction and remodeling (**Franchise Agreement, Section 5.4.1**). We will consult with you as we deem appropriate with regard to construction or renovation and operation of the Restaurant (**Express Restaurant Franchise Agreement, Section 9(A)**).

We do not provide this assistance if you are signing a Renewal Franchise Agreement

3 **Project Manager** You must designate a Project Manager whom we approve to oversee the design and construction, or design and construct your La Salsa® Restaurant (**Franchise Agreement, Section 5 4 2**)

4 **Training** We provide an Initial Training Program and opening assistance as described below (**Initial Training Agreement, Section 2, Franchise Agreement, Sections 6 1 and 6 3, Express Restaurant Franchise Agreement, Section 8(A)**) The Initial Training Program is not provided if you, or any of your affiliates, or an owner of either, currently owns or operates a La Salsa® Restaurant or if the Franchise Agreement is signed as a renewal Franchise Agreement. (**Franchise Agreement, Section 6 1 3**) We will provide opening assistance at your Restaurant, as described below, only if this is the first La Salsa® Restaurant owned or operated by you, or any of your affiliates

5 **Manuals** Except if you are signing your Franchise Agreement with the renewal of an existing Franchise, we will loan you 1 copy of our confidential operations Manuals to use during the term of the Franchise Agreement The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply We will allow you to review our Manuals before you sign your Initial Training Agreement A copy of our Manuals is located at our corporate headquarters Before reviewing our Manuals, you must sign a Confidentiality Agreement in the form attached as **Exhibit G (Franchise Agreement, Section 7 4 3, Express Restaurant Franchise Agreement, Section 6)** Our Manuals contain 254 pages You must operate your La Salsa® Restaurant in compliance with the terms of your Franchise Agreement and the Manuals You alone will exercise day-to-day control over all operations, activities and elements of your La Salsa® Restaurant, including over your employees Under no circumstance will we do so or be deemed to do so The various requirements, restrictions, prohibitions, specifications and procedures of the La Salsa® System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your La Salsa® Restaurant, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your La Salsa® Restaurant consistent with our policies (**Franchise Agreement, Section 5 5 1**)

6 **Franchise Disclosure Document** If you have signed an Area Development Agreement, upon our acceptance of a site, we will give you a copy of our then-current disclosure document, if required by applicable law, together with 2 execution copies of a Franchise Agreement for the site (**Area Development Agreement, Section 6 2**)

Post-Opening Obligations We have the following obligations to you during the operation of your business

1 If you reasonably request, we will furnish additional assistance and advice concerning your performance under the Franchise Agreement and the operation of your Restaurant In our sole discretion, we may send a representative to your Restaurant to discuss the operation of your Restaurant with you We may make recommendations that we deem appropriate to assist your efforts However, you alone will establish all requirements, consistent with our policies, regarding: (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, (ii) the individuals to whom you will offer and sell your products and services, and (iii) the suppliers from whom you obtain any products or services used in or at your Restaurant for which we have not established Baja Fresh approved suppliers (**Franchise Agreement, Section 6.4, Express Restaurant Franchise Agreement, Section 9(C)**)

2 We will periodically designate La Salsa® Brand Products, Proprietary Products and Non-Proprietary Products which you may or must stock and promote (**Franchise Agreement, Sections 9 1,- 9 3, Express Restaurant Franchise Agreement, Section 10(B)**)

Length of Time to Open Restaurant If the Restaurant will be your first La Salsa® Restaurant, you must complete the Initial Training Program and obtain a site for your first Restaurant within 6 months after signing the Initial Training Agreement, and you must open your first Restaurant for business within 12 months after signing your Franchise Agreement, unless we agree otherwise Your failure to do so will constitute a material default and

subject you to termination of the Franchise Agreement. You should not sign a lease or purchase a site for your first Restaurant until we notify you that you have successfully completed our Initial Training Program (Initial Training Agreement, Section 2, Franchise Agreement, Section 5 4 5)

If the Restaurant will not be your first La Salsa® Restaurant, you must open the Restaurant for business within 12 months after signing your Franchise Agreement (Franchise Agreement, Section 5 4 5) If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your La Salsa® Restaurant promptly following signing the Initial Training Agreement You will sign a Franchise Agreement after you have found a location for your La Salsa® Restaurant

A La Salsa® Restaurant usually opens for business 16 to 32 weeks after the Franchise Agreement is signed or the location is accepted Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept, to obtain any financing you need, to obtain required permits and governmental agency approvals, to fulfill local ordinance requirements, to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment and signs, to complete our Initial training program and to complete the hiring and training of personnel Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors

You may open a La Salsa® Restaurant under an Area Development Agreement only by signing a Restaurant Franchise Agreement for that location As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Restaurant is between 16 to 32 weeks

You may not open your La Salsa® Restaurant at the Franchised Location for business until you have received our written authorization, which may be conditional and subject to our satisfactory inspection of the Restaurant at the Franchised Location.

Site Selection/Lease/Purchase of Real Estate If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your La Salsa® Restaurant promptly following signing the Initial Training Agreement) You must submit your proposed lease to us to allow us at least 15 days to confirm that the required provisions in Section 5 3 1 of the Franchise Agreement have been included in the lease and that you and your landlord have signed an Option to Obtain Lease Assignment (Exhibit L) in the form we specify, and you must provide us with a fully signed copy of any lease you sign following our acceptance (Franchise Agreement, Section 5 3 1) Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final lease or purchase agreement acceptable to us, and other reasonable conditions we may impose Your lease must not (a) obligate us in any manner or (b) contain any provision inconsistent with your Franchise Agreement In addition, your lease must provide for the following: (i) that the lessor must not change the traffic flow around the Franchised Location, (ii) provide that the lessor must not permit the erection of signs or structures which obstruct the view of the Franchised Location or its signage, (iii) that the lessor must maintain the common areas on a consistent basis, (iv) that your Restaurant will be the only facility specializing in Mexican-style food sales in the center (or nearby centers owned by the same lessor), (v) unless we agree otherwise in writing, provide for a term at least as long as the term of your Franchise Agreement, (vi) provide that the Franchised Location will be constructed and approved according to our specifications, (vii) that we, or our designee, may assume the lease or sign a substitute lease, at no cost or expense, upon termination or expiration of the Franchise Agreement and upon the occurrence of certain other events according to the terms of our then-current standard form Option to Obtain Lease Assignment Agreement attached to this Disclosure Document as Exhibit L, (viii) that we, or our designee, may assume the lease upon your failure to exercise any options to renew or extend the lease, according to the terms of our then-current standard form Option to Obtain Lease Assignment Agreement (Exhibit L), (ix) that the lessor must notify us in writing at least 15 days before termination of the lease, and, in the case of your default, must provide that we may cure any default by you and succeed to your rights under the lease or request that the lessor terminate the lease and sign a substitute lease according to the terms of our then-current standard

form Option to Obtain Lease Assignment Agreement (**Exhibit L**), (x) that the lease may be not assigned, subleased or modified without our prior written consent, (xi) the lease may not contain a non-competition covenant which restricts us, our affiliates, or any other La Salsa® franchisee from operating a La Salsa® Restaurant or any other retail establishment, (xii) that the lessor must, at our request, disclose sales and other information which you furnished to the lessor, and (xiii) that upon expiration or termination of the lease for any reason, you must remove all La Salsa® trademarks and modify the decor of the Franchised Location so that it no longer resembles a La Salsa® Restaurant and, if you fail to do so, we may enter the premises to make the alterations. You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, and equip the Restaurant and begin construction within 60 days after we sign the Franchise Agreement, unless we otherwise agree in writing. If you fail to do so, we may terminate the Restaurant Franchise Agreement. (**Franchise Agreement Sections 5.4.1 and 14.3**)

If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval at least 15 days before you sign it, and provide a fully signed copy within 15 days following signing (**Franchise Agreement Sections 5.1.1**)

Area Development Agreement At the time you sign each Franchise Agreement under an Area Development Agreement, you will be required to locate the site for your La Salsa® Restaurant, but we must approve the site and our then-current standards for La Salsa® Restaurants will apply. You must submit to us for our review a site review request, including demographic and other information regarding the proposed site and neighboring areas. If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final lease or purchase agreement acceptable to us, and other reasonable conditions we may impose. Promptly following receipt of our preliminary acceptance of the site, you must negotiate a lease or purchase agreement for the site and submit a copy to us to allow us at least 15 days to confirm that the provisions set forth in **Section 6.3** of the Area Development Agreement have been included in the proposed lease or purchase agreement and in the case of a lease, that you and the landlord have executed an Option to Obtain Lease Assignment in the form attached to this Disclosure Document as **Exhibit L**. After our preliminary acceptance of the site and the proposed lease or purchase agreement, we will give you 2 execution copies of the Franchise Agreement for the proposed location, together with our current disclosure document if required under applicable law. You must return the signed Franchise Agreement to us within 30 days after you receive the disclosure document and execution copies of the Franchise Agreement (but no sooner than immediately after any applicable waiting periods required by applicable laws have passed). You must also provide a fully signed copy of the lease or purchase agreement promptly after signing. Following our receipt of a final lease or purchase agreement acceptable to us, we will notify you of our final acceptance of the site. You may not sign the lease (or purchase agreement) until we deliver a Franchise Agreement signed by both you and us, and our final acceptance of the lease (or purchase agreement) and site. You must sign your Franchise Agreement and either a lease or purchase agreement at least 180 days before the date that each La Salsa® Restaurant must be opened under your Area Development Agreement (**Area Development Agreement, Sections 2, 6.2 and 6.3**)

You must cause the Restaurant to be constructed, equipped and improved in compliance with our current design standards and trade dress. You must retain the Project Manager to oversee the construction, or to construct, your La Salsa® Restaurant. The Project Manager may (i) act as a project manager and oversee the design and construction process, or (ii) act as your general contractor, and actually design and construct your Restaurant. You are solely responsible for the costs charged by the Project Manager in the amounts agreed upon directly between you and the Project Manager (**Franchise Agreement, Section 5.4**)

You may not open your La Salsa® Restaurant at the Franchised Location for business until you have received our written authorization, which may be conditional and subject to our satisfactory inspection of the Restaurant at the Franchised Location. (**Franchise Agreement, Section 5.4.3**)

Purchase of Operating Restaurant If you purchase an Operating Restaurant from LAS Acquisition, you must sign an Asset Purchase Agreement (**Exhibit D**) and applicable Attachments and a Purchase Addendum (**Exhibit K**). Under the terms of the Asset Purchase Agreement, you must purchase the Assets of the Restaurant, which may include fixtures, furnishing, equipment, décor, signs, as well as any supplies and materials used or

sold by the Restaurant. You must sublease the Restaurant premises from LAS Acquisition under a Sublease and make monthly rental payments to LAS Acquisition. Under the terms of the Sublease, you must pay Rent in an amount equal to the rental payments which LAS Acquisition is obligated to pay the landlord under the Master Lease **plus** an additional amount up to 10% of these payments. In addition, you must pay LAS Acquisition a security deposit equal to 1 to 3 months Rent. Your rent payable under the Sublease will be subject to the same adjustments provided for in the Master Lease and will increase over the term of the Sublease in the same amounts that LAS Acquisition's rent increases under the Master Lease. If you default under the Sublease, LAS Acquisition may apply your security deposit against the amount you owe and you must restore the security deposit to its original amount within 10 days after a demand for payment. The Sublease is **Attachment E** to the Asset Purchase Agreement. You may also be required to assume contracts with suppliers of goods and services to the Restaurant. As a condition to the purchase of an Operating Restaurant, you must, at your sole cost and expense, refurbish, remodel and improve the Operating Restaurant to conform the building design, trade dress, color schemes, and presentation of Marks to our then current public image no later than 1 year after the closing date of your purchase of an Operating Restaurant. Remodeling may include extensive structural changes to an Operating Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes that we may require. We may, in our sole discretion, waive or defer your obligation to remodel the Restaurant if we determine that the Restaurant is in substantial conformity with our then-current standard system decor specifications. (**Asset Purchase Agreement, Section 15**)

Electronic Point of Sales (POS) System You must purchase and maintain an electronic Point of Sale system to record gross sales and transaction data, such as item ordered, price and date of sale (the "POS System"). We currently require you to purchase and use the specific make and model of POS system listed below. We are not required to provide or assist you to obtain these items. You must connect the POS System to a computer network that is capable of accessing the Internet via an internet service provider ("ISP") such as AT&T, Verizon, Earthlink, etc. We will have the right to independently access all information and financial data recorded by the POS System for daily polling, audit and sales verification. Updates or replacement of the POS System, both hardware and software, or the cash register system may be required. Your POS System must be compliant with current PCI DSS. Provided your POS System remains compliant with current PCI DSS, you will not be required to replace the POS System any more frequently than once every 3 years. (**Franchise Agreement, Section 7.3.1**)

Franchisor's approved POS System that can perform this function is the Micros RES 3700 System. The manufacturer of the Micros RES 3700 POS System is Oracle America, Inc., 7031 Columbia Gateway Drive, Columbia, Maryland 21046, (443) 285-6000. Our Corporate IT Department will provide current contact information of the Account Executive at Micros upon request.

The approximate cost of one of these systems ranges from \$12,000 to \$25,000 depending on specific store setup and requirements.

Your POS system must stay in compliance with our standards, which includes updating and upgrading the system during the term of the Franchise Agreement. Except as provided above, there is no contractual limitation on the frequency or the cost of the obligation. (**Franchise Agreement, Section 7.3.1, Express Restaurant Franchise Agreement, Section 10(A)**) We reserve the right to decide and determine the most suitable POS System for System Restaurants, including your Restaurant.

Your POS System must include the required technology to permit the following:

- You must have a broadband Internet connection (DSL, Cable, Satellite, T1, etc.) with a minimum of one static IP address at your franchise location.
- You must have and maintain a broadband firewall router to protect your store network from hackers.
- You must be able to accept and process La Salsa gift cards sold in retail stores and other La Salsa Company locations. We recommend the following systems:
 - Gift Card Management Processing: Stored Value Solutions. Current rate and contact information will be provided by us.

Computer System We may in the future, establish an Intranet through which franchisees may communicate with each other. If we do so, upon not less than sixty (60) days prior written notice from us, you will purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by us in writing for use in connection with the Restaurant (the 'Computer System'). We will designate certain computer software used in the operation of Restaurant at the Franchised Location. We will require you to maintain an e-mail account and connect the Computer System to a broadband Internet connection at all times and be capable of accessing the Internet via an ISP (such as AT&T, Verizon, Cox, etc.). You will obtain all software and hardware, including digital still and video cameras, that 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 Franchised Location, and you must, upon our request, periodically transmit digital photos and real time video and audio signals of the Franchised Location, and in the form and manner we prescribe. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as we may periodically require. (**Franchise Agreement, Section 7.3.2, Express Restaurant Franchise Agreement, Section 10(C)**)

We estimate the cost of the Computer System to be \$800 to \$1,200, and the cost of an electronic connection to the Internet to be approximately \$100-\$150 per month. We estimate that annual costs to maintain the Computer System will range from \$500 to \$600.

You are required to apply for and maintain debit cards, credit cards or other non-cash systems currently existing or to be developed in the future to enable your customers to purchase products using these procedures. These systems must comply with the current Payment Card Industry Data Security Standard (PCI-DSS). (**Franchise Agreement, Section 7.3.1**)

Internet We have registered the Internet domain name lasalsa.com and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contain our Marks, or any other words, symbols or terms confusingly similar to our Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all La Salsa® Restaurants, including your La Salsa® Restaurant. (**Franchise Agreement Section 8.6, Express Restaurant Franchise Agreement, Section 10(C)**)

We have the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify periodically. (**Franchise Agreement Sections 2.3.3, 8.7, Express Restaurant Franchise Agreement, Sections 5(D) and 11(D)**)

Intranet We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. At our request, you must contribute a reasonable amount, not to exceed \$1,000 per year, toward the cost of the Intranet's maintenance. We will have sole discretion, independent access and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the mere privilege, and not the right, to use the Intranet, subject to your compliance with our Policies. (**Franchise Agreement Section 7.15**)

Cooperative Advertising As of the date of this Disclosure Document, we have not established any local or regional advertising cooperatives ('Co-Op'). If we do so in the future, you must participate in any advertising Co-Op for the region in which your Restaurant is located. We will contribute a like percentage of sales to the

applicable Co-Op, if any, within which any La Salsa® Restaurant operated by us, or our affiliates, is located. We may change, dissolve, or merge Co-Ops in our sole discretion. You must contribute to the Co-Op as determined by the members of the Co-Op, not to exceed 15% of your Gross Sales as determined by vote of the Co-Op members, subject to our written approval. All of your contributions to the Co-Op will be applied to the minimum local advertising requirement described below (**Franchise Agreement, Section 8.2**). There is no advertising council at the present time.

Market Development Fund Advertising Fee You must pay our Marketing Development Fund an Advertising Fee equal to 1% of your Gross Sales to promote and enhance the image, brand identity or patronage of La Salsa® Restaurants owned by us and by franchisees. Under the terms of the Franchise Agreement, we may, on 90 days written notice to you, require that you to pay the Marketing Development Fund up to 3% of your Gross Sales. We will pay advertising fees for each La Salsa® Restaurant operated by us or Las Acquisition equal to the amount that would be required to be contributed if it were a franchised Restaurant. If we spend less than the total of all contributions to the Marketing Development Fund during any fiscal year, it may accumulate the sums for use in later years. If we, or LAS Acquisition, advance money to the Marketing Development Fund beyond what we contribute on account of our company-owned Restaurants, we will be entitled to reimbursement, **plus** reasonable interest (**Franchise Agreement, Section 8.3, Express Restaurant Franchise Agreement, Sections 3(C) and 5(B)**).

We will spend Marketing Development Fund revenue for national, regional or local advertising, public relations and promotional campaigns, typically in media such as direct mail advertising, newspapers, radio, and cable and local television. This sum may also be spent for other items including conducting marketing studies, and the production and purchase of advertising art, commercials, musical jingles, print advertisements, point of sale materials, media advertising, outdoor advertising art, and direct mail pamphlets and literature, and may also be allocated to reimburse us or our affiliates for internal expenses of operating an advertising department and administration of the Marketing Development Fund. We determine, in our discretion, all matters for advertising, public relations and promotional campaigns and we are not required to allocate or expend Marketing Development Fund contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis (**Franchise Agreement, Section 8.3, Express Restaurant Franchise Agreement, Section 5(B)**). We do not use any Marketing Development Fund funds for advertising to solicit new franchisees.

At your request, we will furnish to you within 90 days after the end of each of our fiscal years, an unaudited report showing the Marketing Development Fund balance at the beginning of the year, the total amount contributed by franchisees and by LAS Acquisition for our company-owned La Salsa® Restaurants, the amount actually expended for the year, and the remaining balance or deficit in the Marketing Development Fund at the end of the fiscal year end. If less than the total of all contributions and allocations to the Marketing Development Fund are expended during any fiscal year, any excess may be accumulated for use during later years.

In the fiscal year ended December 28, 2015, the total Marketing Development Fund expenditures are as follows:

<u>Category</u>	<u>Percentage of Expenditures</u>
Administrative	6.6%
Production	40.4%
Media Placement	52.0%
Gift Cards & Fees/Processing/Commissions	0.5%
Other	0.5%
Total	100%

Less than 1% of the Marketing Development Fund was used to solicit new franchisees.

Local Advertising You must spend an amount equal to 2% of your Gross Sales each calendar quarter on local advertising and promotion of your Restaurant. Under the terms of the Franchise Agreement, we may, on 90 days written notice to you, require you to spend up to 3% of your Gross Sales each calendar quarter on local advertising and promotion of your Restaurant. All advertising must meet our specifications in our Operations Manual. You

must submit to us before use samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, for our approval. You may not use any advertising material or program or use the La Salsa® logo or trademarks in any public manner without our prior written approval (**Franchise Agreement, Section 8.1**)

Telephone Numbers and Directories You must maintain, at your own expense, 1 or more telephone numbers which must be listed in the white pages and yellow pages of one or more telephone directories which we designate. You must conduct all telephone directory advertising under our then-current standards and specifications, as stated in the Manuals, and all advertising, including telephone directory advertising, is subject to our prior written approval (**Franchise Agreement, Section 8.4**)

Catering Marketing Fund We have the right to establish a Catering Marketing Fund. If you execute the Catering Addendum, you must participate in the Catering Marketing Fund, if established. We do not currently intend to require monthly payments to the Catering Marketing Fund, but rather to require you to contribute amounts as are determined by us periodically to support specific initiatives under catering. As of the date of this Disclosure Document, you are not required to contribute any monies under the Catering Marketing Fund. We, or our designee, will direct all marketing and advertising activities financed by the Catering Marketing Fund.

Promotional Campaigns We may periodically conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You, and each Co-Op, must participate in all promotional campaigns which we may establish for the region in which your Restaurant is located (**Franchise Agreement, Section 8.5, Express Restaurant Franchise Agreement, Section 7.3.1**). Within a reasonable time after our request, you must implement and maintain **smart cards** or other similar customer loyalty system to track customer purchases and reward frequent customers for their purchases (**Franchise Agreement, Section 7.3.1(c)**)

The La Salsa Initial Training Program Before beginning operation of your first Traditional Restaurant, or company-owned and Operating Restaurant, your Designated Trainees must successfully complete our Initial Training Program to our satisfaction at a location or locations we designate. Before you become eligible to sign a Franchise Agreement for your first Company-Owned & Operating Restaurant, you must sign our Initial Training Agreement, pay us our \$10,000 Initial Training Fee and complete our Initial Training Program to our satisfaction. After you sign a Restaurant Franchise Agreement for your first Traditional Restaurant or Express Restaurant, you must sign our Initial Training Agreement before you begin our Initial Training Program and pay us our \$10,000 Initial Training Fee. You will also be responsible for all expenses, costs and losses, including salaries, travel and living expenses incurred for your Designated Trainees, with attendance at any training provided by us. The Initial Training Program is not provided and an Initial Training Fee is not payable, if you or any of your affiliates owns and operates a Restaurant when you sign your Franchise Agreement. If you sell your Restaurant, and you, or your owners with a controlling interest, or a member of your senior management team have successfully completed our current Initial Training Program and earned the designation of 'Certified Trainer', you and your Certified Trainer will be responsible for training the buyer of your Restaurant at your expense. If you don't have a Certified Trainer on staff, we will train the buyer of your Restaurant and one other person at your expense and you will pay us a \$10,000 Transfer Training Fee. Other than for an Express Restaurant, the Initial Training Fee is applied toward the Initial Franchise Fee for your Restaurant, when we sign the Franchise Agreement for your Restaurant, if your Designated Trainees complete the Initial Training Program to our satisfaction. If you are purchasing a company-owned and Operating Restaurant under an Asset Purchase Agreement, the Initial Training Program must be completed before you are eligible to sign a Franchise Agreement (**Franchise Agreement, Sections 6.1.1, Asset Purchase Agreement, Section 5(a), Express Restaurant Franchise Agreement, Section 8(A)**)

The Initial Training Program is directed and conducted by our approved training personnel who have experience in the food business. All training materials and supplies are provided by us. Currently, our Initial Training Program is approximately 6 to 8 weeks and takes place at our training facilities in our corporate office in Southern California or at a La Salsa® Restaurant we designate. We plan to hold training on an as-needed basis as we determine appropriate. Your Designated Trainees must also successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification. We may, in our discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed

appropriate You will be responsible for all fees and material costs associated with a certification program **(Franchise Agreement, Section 6 1 1, Express Restaurant Franchise Agreement, Section 8(A))**

Our Initial Training Program is conducted in English Our Manuals which govern the operation of the Restaurant that we provide to you are written in English Most Restaurants are located in places where the predominant language is English Therefore, we consider English language proficiency to be important both to successful attendance at, and completion of, our training program, and in the day-to-day operation of your Restaurant, including being able to provide your customers with a high-level of customer service We plan to implement an English language proficiency requirement Once implemented, before attending training, a person whose native language is not English, or who does not meet other criteria that we specify, will first need to score sufficiently high as determined solely by us, on a professionally-administered English language proficiency examination. A person who does not achieve the required score will not be permitted to attend training, and therefore cannot satisfy the day-to-day management requirement under the Franchise Agreement We do not anticipate requiring certain persons to take an English language proficiency examination, such as persons who attended and graduated from an accredited college or university in an English-speaking country, where the course of study was taught in English, or who meet other similar criteria that we may establish.

INITIAL TRAINING PROGRAM

SUBJECTS	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Orientation, Food Prep, Broiler Station, Planchero Station Tostadero Station, Restaurant Sanitation, Kitchen Opener, Kitchen Closer	40 - 80	75	Corporate office - currently Irvine, California or at a La Salsa® Restaurant we designate
Expediter Station, Dining Room Station, Corzaon Station	120	32	Corporate office - currently Irvine, California or at a La Salsa® Restaurant we designate
Management Opening Duties Management Closing Duties Floor Management	160 - 320	90	Corporate office - currently Irvine, California or at a La Salsa® Restaurant we designate
Total	320 - 520 hour	197	

NOTES

1 Training will be provided for up to 2 supervisory or managerial employees selected by you who will be the Operating Principal, Director of Operations and/or Restaurant Manager of your Restaurant. Randy Kunin, a member of the LA SALSA® team since October 2013, is our Initial Training Program instructor Mr Kunin has 37 years of experience relevant to the subjects taught The Manuals will be used as our primary instructional material

2 If you are signing your Franchise Agreement for the first La Salsa® Restaurant, we will furnish you with 2 persons at no cost to you to assist you for 1 week before you open your Restaurant and 1 week after you open your Restaurant. We do not provide opening support for any additional La Salsa® Restaurants you open.

3 We may make available additional mandatory or optional, in our discretion, training courses or programs which you, your Operating Principal, Director of Operations and each Restaurant Manager, or other supervisory or managerial employees, or any of them, may or must attend at locations we select on a national or regional

basis, to instruct you on new procedures or programs which we consider to be of major importance to the operation of your Restaurant. You must pay our then current fees for these training courses, currently \$500 per week, and must pay all transportation costs, food, lodging and similar expenses you or your Designated Trainees incur to attend the training (Franchise Agreement, Section 6.2.3, Express Restaurant Franchise Agreement, Section 8(B)). We may make recommendations if we deem appropriate to assist you in the operation of your Baja Fresh Restaurant. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, (ii) the individuals to whom you will offer and sell your products and services, and (iii) the suppliers from whom you obtain any products or services used in or at your Baja Fresh Restaurant for which we have not established Baja Fresh approved suppliers (Franchise Agreement, Section 6.4).

4 If you operate 3 or more La Salsa® Restaurants, you may apply to offer the Initial Training Program at your training facility (which may be a La Salsa® Restaurant). We may certify you to offer the Initial Training Program if you meet our standards, your training facility has been certified by us and your designated training manager has been certified by us. You must reimburse us for the travel, living and other expenses incurred in evaluating your facility and your training manager.

5 The hours of classroom training shown in the chart represent the minimum number of hours required to successfully pass the course. The actual hours will depend on a variety of factors, including the trainee's prior experience and his or her ability to pass any written and/or practical exams to our satisfaction. The materials used in the training program are the Manuals, as well as various training videos.

6 Instructors are subject to change.

ITEM 12 TERRITORY

Franchise Agreement You will be permitted to operate your Restaurant at a specific location that we accept, as described in the Franchise Agreement (Exhibit B). You will not receive any protected or exclusive territory. Our acceptance will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, number of La Salsa® Restaurants near the proposed new location. You will not be granted an exclusive territory. You may face competition from other La Salsa® Restaurants that we, or our affiliates, franchise or own and that operate at traditional sites outside your territory. Also, you may face competition from other franchisees, other outlets that we franchise or own, or from other channels of distribution or competitive brands we control.

You are not granted a minimum territory, and there are no radius restrictions or minimum population requirements that limit where we can franchise or operate another La Salsa® Restaurant. You may not relocate the Restaurant to any other location without our prior written consent. If we consent to any relocation, you must secure the new Franchised Location and open and begin operations of the Restaurant at the new Franchised Location within 12 months from the date of our approval of the new Franchised Location. If you fail to do open the Restaurant within 12 months from the date of our approval of the new Franchised Location, we will have the right to bill you for Continuing Royalty Fees for the time period following the 12 months based upon the Continuing Royalty Fees received for your Restaurant during the identical period of the last preceding calendar year plus an additional 10% of such amount or, if your Restaurant was not in operation during the identical period of the last preceding year, based upon the average Continuing Royalty Fees during the number of months the Restaurant was in operation plus an additional 10% of such amount.

If we approve any relocation of your Restaurant, you must de-identify the former location. If you fail to de-identify your former Restaurant, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly (a) to own or operate, and to license others (which may include our affiliates) to own or operate (i) La

Salsa® Restaurants at any location regardless of its proximity to your Restaurant, (ii) La Salsa® Restaurants at **Express Venues** (defined below) at any location, and of any type, regardless of its proximity to your Restaurant, and (iii) restaurants operating under names or marks other than **La Salsa®**, at any location, and of any type, regardless of its proximity to your Restaurant, (b) to produce, license, distribute and market La Salsa® Brand Products, including pre-packaged food, salsa, spice mixes, snacks and other food and beverage products, books, clothing, souvenirs and novelty items, through any outlet (regardless of its proximity to your Restaurant), including grocery stores, supermarkets and convenience stores and through any other distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods, and (c) to allow customers to purchase services and products from us and our affiliates or designees over the Internet, or in other reserved channels of distribution, you must obtain our prior written consent before you advertise or market your Restaurant through the use of the Internet, other forms of electronic media (including social technology, social media and social networking platforms), catalog sales, telemarketing or other direct marketing, or we will have the right to terminate your Franchise Agreement, we retain all rights with respect to alternate channels of distribution.

No restrictions exist on us or any of our franchisees as to the areas (including those outside their Territories) from which they may solicit or accept business and we and all of our franchisees are free to advertise or solicit business from any area desired, subject to the general controls on advertising contained in the Franchise Agreement.

We are not required to pay you any compensation if we exercise any of the rights specified above inside your Franchised Location

Under the 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 do not have the right to acquire additional franchises, options, or rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Restaurants under separate Franchise Agreements.

Unless you offer Catering Services from your Restaurant, you are not permitted to use and display the Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside your Franchised Location.

You do not have any right to exclude, control, or impose conditions on the location or development of any La Salsa® Restaurant, other restaurant, store or any other method of distribution under the La Salsa® trademark or any other trademark.

Area Development Agreement Under the Area Development Agreement (**Exhibit C**), we grant you the right to develop and operate a specified number of La Salsa® Restaurants at Venues in a specified Development Area, subject to our approval. We will determine or approve the location of each La Salsa® Restaurant to be developed at the time each Franchise Agreement is signed, and our then-current standards for approving sites and determining Development Areas will apply. The Development Area may be one or more cities, counties, states, or some other defined area. 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 La Salsa® Restaurant at any Venue within your Development Area. **Venues** include all sites other than sites located within a captive market site, another primary business or within other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums, arenas, airports, train stations, bus stations, Indian reservations, colleges and universities, recreational theme parks, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any venue in which food service is or may be provided by a master concessionaire or contract food service provider (**Express Venues**). We may operate our self or grant a license or franchise to any other person to operate a La Salsa® Restaurant (a) at any location outside the geographic area comprising the Development Area, including immediately adjacent to the Development Area and (b) at any site or location which is an Express Venue, even if located within your Development Area. We may (a) own or operate, and franchise or license others to own or operate restaurants operating under names other than La Salsa® at any location, and of any type or

category, regardless of whether or not it is located within your Development Area, and (b) produce, license, distribute and market La Salsa® Brand Named Products, and products bearing other marks, including food and beverage products, clothing, souvenirs and novelty items, at or through any location or outlet, including grocery stores and convenience stores (including those which may be located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, internet marketing and other distribution methods. Until the termination or expiration of the Area Development Agreement, you retain your right of exclusivity if you comply with your development and other obligations under the Area Development Agreement.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Area Development Agreement, or a material breach of any other agreement between you and us, or become insolvent or make a general assignment for the benefit of creditors, or a petition in bankruptcy is filed by you or against you, a receiver or other custodian of your assets or property appointed, a final judgment remains unsolved or of record for 30 days or longer, an execution is levied against your business or property, a suit to foreclose any lien or mortgage or assets is filed and not dismissed within 30 days, or your real or personal property is sold after levy, we may terminate your right to develop open and operate new La Salsa® Restaurants in the Development Area, but the termination of the right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional restaurants anywhere, without restriction, including in your Development Area. If we determine that further development of your Development Area is desirable after the term of your agreement, we will notify you in writing within 180 days before the expiration of your Area Development Agreement, and you will have a prior right to sign a new Area Development Agreement and undertake additional development of your Development Area. If you believe that our proposed additional development schedule is not reasonable, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to sign a new Area Development Agreement, we may own, operate, franchise or license others to operate additional La Salsa® Restaurants in your Development Area subject only to the rights reserved to you in the individual Franchise Agreements. Under the Area Development Agreement, the continuation of your territorial exclusivity is dependent upon your compliance with your development and other obligations under the Area Development Agreement, as described above.

The Mucho Burrito, TacoTime™ and America's Taco Shop® restaurant concepts franchised or operated by affiliates of Kahala Brands offer goods and services that are the same or similar to those that you will offer under the La Salsa brand. Those goods and services are offered under the Mucho Burrito, TacoTime and America's Taco Shop trademarks. Mucho Burrito, TacoTime and America's Taco Shop franchisees are not granted an exclusive territory and, should the Baja Fresh® and La Salsa Mexican Grill® transaction with MTY USA close as expected, any conflicts that may arise between a Mucho Burrito, Taco Time or an America's Taco Shop franchisee and a Baja Fresh® or La Salsa Mexican Grill® franchisee regarding territory or franchisor support that cannot be resolved through negotiation between the parties will be resolved through mediation and arbitration.

ITEM 13 TRADEMARKS

As a Franchisee, you are licensed to use and display the trade name La Salsa®, the marks using it, and the mark La Salsa® for the duration of the Franchise Agreement only for the operation of the Restaurant and the sale from it of products described on the La Salsa® standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us, or our affiliates.

We or our affiliates, are the owner of all rights, titles and interests in the trade names, trademarks and service marks and have received registration of the following marks on the Principal Register of the United States Patent and Trademark Office ("USPTO")

DESCRIPTION OF MARK	REGISTRATION NUMBER	REGISTRATION DATE
	2,565,424	04/30/02
	2,484,633	09/04/01
LA SALSA	2,151,398	04/14/98
	2,009,794	10/22/96
LA SALSA FRESH MEXICAN GRILL	2,025,808	12/24/96
	1,417,032	11/11/86
LA SALSA	1,257,963	11/15/83
FRESH MEXICAN GRILL	2,898,518	11/02/04

We also claim common law rights to the trade and service marks we license to you. We or our affiliates have filed all required affidavits.

There are no agreements currently in effect or contemplated which would significantly limit our right to use or license the use of its marks in any manner. There are no currently effective material determinations of the US PTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding or any pending litigation involving the trade name La Salsa® or the licensed marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks that are material to the franchise, nor are there any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks. We have not conducted an exhaustive search of users of names which may be the same or similar to our marks. Although we are not aware of anyone other than our Affiliates or franchisees who are using 'La Salsa® Fresh Mexican Grill', as a trademark or service mark, we are aware that some businesses are using 'Salsa' and/or 'Fresh' as part of a trademark or service mark associated with quick casual restaurants serving fresh Mexican food and we may not be able to prevent their continued use of these words, particularly in cases where their use predates our federal trademark and service mark registrations. There may be similar uses to our marks of which we are unaware, which could arise from prior users.

You must use the trade name La Salsa® without any suffix or prefix attached to it to identify the Franchise business. You are prohibited from using our trade name, trademarks or service marks as part of any corporate name or using the La Salsa® trade name with any prefix, suffix or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement and do all other things necessary to prevent

the use of the La Salsa® trade name, trademarks or service marks by you from diminishing or destroying the legal protection to which they are entitled

You must notify us of any infringement of, challenge to or unauthorized use of the licensed name or marks which comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or Marks but we are not obligated by the Franchise Agreement to do so.

We are not obligated by the Franchise Agreement to participate in your defense in any administrative or judicial proceeding involving our trade name, trademarks or service marks, or to indemnify you for costs and expenses you incur if you are a party in any action or proceeding involving our trade name or Marks. We have the sole right, but no obligation, to control any litigation involving our trade name or Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using attorneys of our own choosing, and you must cooperate fully in defending any claim and you may participate, at your own expense, in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title or interest in our trade names or Marks, or contest the sole right of to register, use, or license others to use those names and marks.

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the marks. You must modify or discontinue the use of a mark, at your expense, if we modify or discontinue it. You must implement any change within 60 days after notice to you. We will not compensate you for any modification or discontinuation of the Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no right in or to any patents. We have no registered or pending copyrights, but we claim copyright protection for the La Salsa® Manuals and all advertising material that may be distributed by us. There are no pending patent applications that are material to the franchise. We will loan you 1 copy of the La Salsa® Manuals for confidential use in the Franchise business. You may not disclose, publish, sell, show, or reproduce the Manuals and must return the La Salsa® Manuals to us intact upon termination or expiration of the Franchise Agreement.

We regard our recipes, our particular method of producing our menu items and food products and operating a fast-service, Mexican-style restaurant, and all the information contained in the La Salsa® Manuals, as proprietary information owned by us. You agree, as part of the Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, recipes, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your supervisory or managerial personnel and requiring your supervisory or managerial personnel who will have access to our trade secrets to sign agreements containing non-disclosure and non-competition provisions.

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

All ideas, concepts, techniques or materials relating to a Restaurant created by you while you are a La Salsa franchisee, whether or not protectable intellectual property must be promptly disclosed to us and will become our exclusive property and a part of the La Salsa franchise system as a work made for hire for us without compensation to you.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Except as described in the following sentences, we do not require that you personally supervise your La Salsa® Franchise business. We do not require you, or your owners with a controlling interest, to personally devote full time and attention to managing and supervising all administrative and operational activities of your Franchised Unit, both in terms of managing development obligations and store operations. However, if you chose not to assume these responsibilities, you must assign them to a member of your senior management who need not hold an equity interest in the Franchise and who must successfully complete our initial training program and earn the designation of 'Certified Trainer'. If one or more individuals sign the Franchise Agreement and we consent to it being assigned to a business entity for convenience of ownership, you must designate an "Operating Principal" acceptable to us who will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your Restaurant. In addition, you must designate a Director of Operations or other supervisory or managerial personnel acceptable to us who will be involved in the day-to-day operations of the Restaurant and all other La Salsa® Restaurants which you own in specified geographic areas. If you signed an Area Development Agreement, you must designate the Director of Operations when you, directly or indirectly through one or more Affiliates, open your second Restaurant within your Development Area. The Director of Operations does not need to be an owner and may be the same person as the Operating Principal. The Restaurant must, at all times, be directly supervised by a Restaurant Manager or other supervisory or managerial personnel who has successfully completed our training program. We do not have the right to approve the manager. The manager does not need to have an ownership interest in an entity franchisee. We may require your Restaurant Manager and all other supervisory or managerial personnel who will have access to our trade secrets and other confidential information to sign a Confidentiality and Non-Disclosure Agreement (Exhibit G).

All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the equity or your voting rights, including spouses (and family members who live in the same household) and Affiliates must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our Affiliates. Upon each transfer or assignment of your interest in the Franchise, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written guarantee in a form we prescribe.

All employees you hire or employ at your La Salsa® Restaurant will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Initial Training Agreement and Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your La Salsa® Restaurant does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to your La Salsa® Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only those goods and services that we have approved. We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes.

You may not operate any co-branding system without our prior written consent, which may be withheld in our sole discretion unless we recognize the co-branding chain as an approved co-brand for operation within "La Salsa" Restaurants. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your La Salsa Restaurant. If you elect to co-brand with a restaurant concept owned or controlled by BFAH, we may discount your Initial Franchise Fees for each brand.

We may, on occasion, require you to test market products and/or services at your Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Restaurant without our prior written consent.

Unless you offer Catering Services from your Restaurant, you are not permitted to use and display the Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside your Franchised Location.

(REMAINDER OF PAGE IS LEFT INTENTIONALLY BLANK)

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related Agreements. You should read these provisions in these Agreements attached to this Disclosure Document. As described in Item 1, if you are signing your Franchise Agreement under an existing Area Development Agreement or with the renewal of an existing Franchise, some of these provisions may be modified to conform to the terms specified in your Area Development Agreement or your existing Franchise Agreement, as applicable.

INITIAL TRAINING AGREEMENT

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN INITIAL TRAINING AGREEMENT (EXHIBIT A)	SUMMARY
a Length of the franchise term	Section 3	You must attend and complete the Initial Training Program and obtain a site for your first Restaurant within 6 months after the parties' execution of the Initial Training Agreement and you must open your first Restaurant for business within 12 months after signing your Franchise Agreement, unless we agree otherwise.
b Renewal or extension of the term	Not Applicable	Not Applicable
c Requirements for Franchisee to renew or Extend	Not Applicable	Not Applicable
d Termination by Franchisee	Not Applicable	Not Applicable
e Termination by Franchisor without cause	Sections 3.2 and 4	If we determine during the Initial Training Program that you are not acceptable to become a franchisee for any reason, in our sole and absolute discretion, the Initial Training Agreement will automatically terminate.
f Termination by Franchisor with cause	Sections 3.2 and 4	We can terminate the Initial Training Agreement if you (i) fail to complete the Initial Training Program within 6 months after we sign the Initial Training Agreement, (ii) do not complete the Initial Training Program to our satisfaction, (iii) do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or under a Franchise Agreement.

PROVISION	SECTION IN INITIAL TRAINING AGREEMENT (EXHIBIT A)	SUMMARY
g Cause define curable defaults	Sections 3 2 and 4	Failure to complete the Initial Training Program within 6 months after we sign the Initial Training Agreement, failure to complete the Initial Training Program to our satisfaction, if you do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or under a Franchise Agreement
h Cause defined - non-curable defaults	Sections 3 2 and 4	If we determine during the Initial Training Program that you are not acceptable to become a franchisee for any reason, in our sole and absolute discretion, the Initial Training Agreement will automatically terminate
i Franchisee's obligations on termination/nonrenewal	Sections 3 3, 5 and 6	Sign a mutual general release, maintain the confidentiality of our confidential information, make no use of our Marks
j Assignment of contract by Franchisor	Section 8 19	There are no limits on our assignment rights
k 'Transfer' by Franchisee - definition	Section 8 19	You may not assign your rights under the Initial Training Agreement
l Franchisor's approval of transfer by Franchisee	Not Applicable	Not Applicable
m Conditions for Franchisor's approval of transfer	Not Applicable	Not Applicable
n Franchisor's right of first refusal to acquire Franchisee's business	Not Applicable	Not Applicable
o Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p Death or disability of Franchisee	Not Applicable	Not Applicable
q Non-competition covenants during the term of the Franchise	Not Applicable	Not Applicable

PROVISION	SECTION IN INITIAL TRAINING AGREEMENT (EXHIBIT A)	SUMMARY
r Non-competition covenants after the Franchise is terminated or expires	Not Applicable	Not Applicable
s Modification of the agreement	Section 8 6	Must be in writing signed by both parties
t Integration/merger clause	Section 8 6	Only the terms of the Initial Training Agreement and its attachments are binding (subject to state law) Any representations or promises made outside of the Disclosure Document and the Initial Training Agreement may not be enforceable
u Dispute resolution by mediation or arbitration	Sections 7 1, through 7 2, 7 4	We must attempt to resolve all disputes first by mediation in Orange County, California, and then by binding arbitration in Los Angeles, California, except for certain matters which may be brought in court.
v Choice of forum	Section 7 1	All proceedings will be held in Orange County, California, subject to applicable state law See the State Specific Addenda (Exhibit O) attached to this Disclosure Document.
w Choice of law	Section 7 6	California, subject to the exception provided in Section 7 6 and applicable state law See the State Specific Addenda (Exhibit O) attached to this Disclosure Document

FRANCHISE AGREEMENT (TRADITIONAL RESTAURANT)

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
a Length of the franchise term	Sections 3 1 and 13 2	The earlier of (a) 10 years after your Traditional Restaurant is fully constructed and is ready to open to the public ('Scheduled Completion Date '), or (b) 11 years after the date you sign your Franchise Agreement. If you are signing your Franchise Agreement with (a) the assignment of an existing Franchise, the term of your Franchise Agreement will be the remaining term of the existing Franchise Agreement, or (b) the renewal of an existing Franchise, the term of the Franchise

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
		Agreement will be the renewal term provided for in the existing Franchise Agreement
b Renewal or extension of the term	Section 3 2	If you are in good standing, you can renew for 2 additional 10 year terms If you are signing your Franchise Agreement with the renewal of an existing Franchise, your renewal rights, if any, will be conformed to the rights, if any, stated in the existing Franchise Agreement
c Requirements for Franchisee to renew or extend	Sections 3 3, 3 3 and 3 4	You must have complied with your obligations during the Term, must, at our request, renovate or modernize your Restaurant to comply with our then-current standards for a new La Salsa® Restaurant, must sign our then-current form of Franchise Agreement; pay a renewal fee and must sign a general release Your continuing royalty and advertising fee payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees You may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your preceding Franchise Agreement
d Termination by Franchisee	Section 14 9	Only due to an uncured material default of ours under the Franchise Agreement
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with cause	Sections 14 1 and 14 6	We can terminate if you materially default under your Franchise Agreement, any other individual Franchise Agreement, or any Area Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us
g 'Cause" defined – curable defaults	Section 14 4	You have 5 days (10 days in Illinois) to cure non-payment of fees, 10 days to cure non-compliance with laws and defaults not listed in <u>Sections 14 2 and 14 3</u>
h Cause defined – non-curable defaults	Sections 14 2 and 14 3	Non-curable defaults bankruptcy, foreclosure, insolvency, conviction of a felony, abandonment, unapproved transfers, repeated defaults, even if cured, misrepresentations in acquiring your license, health or safety violations, knowingly understating your Gross Sales, trademark misuse, conviction of a felony, failure, for 10 days after notification of noncompliance, to comply with any federal, state or local law or <u>regulation applicable</u> to the operation of the Franchise, and a breach of obligations under the Franchise

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
		Agreement or other agreement, which by its nature is not capable of being cured by you
1 Franchisee's obligations on termination or nonrenewal	Sections 7 4 3 and 15 1	You must cease use of our trademarks, de-identify, pay all amounts due to us, return the Manuals to us You must pay us 2 multiplied by the total royalty fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of the Franchise Agreement during the 2 year period that we estimate will expire while we search for a replacement franchisee We may, at our option, assume all telephone numbers for the Restaurant You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or e-mail addresses which contain our Marks See also "r below
j Assignment of contract by Franchisor	Section 13 1	No restriction on our right to assign
k "Transfer" by Franchisee - definition	Section 13 2	Includes transfer of the agreement or change in ownership of the entity which owns it
l Franchisor's approval of transfer by Franchisee	Section 13 2	Transfers require our prior written consent, which will not be unreasonably withheld
m Conditions for Franchisor's approval of transfer	Sections 13 2, 13 3 and 13 4	New franchisee must qualify, successfully complete Initial Training Program taught either by your Certified Trainer, or, if you do not have a Certified Trainer on staff, by us, assume your obligations under the Franchise Agreement or at our option sign a new Franchise Agreement on our then current form (if the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement and you must sign a guarantee of the transferee's payment and performance), must score sufficiently high, as determined solely by us, on a professionally-administered English language proficiency examination if we determine testing is required, and refurbish the Restaurant, as needed You must provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the Franchisee, sign a guarantee and a general release, and pay transfer fee (See also "r" below) If the Franchise Agreement has been signed under an Area

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
		Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee With our prior written consent, you may sign and immediately transfer a Franchise Agreement signed by you to an entity of which you directly own at least 51% interest for convenience of ownership. All persons owning a 10% or more interest in the controlled entity must sign a guarantee, and you and your affiliates who have a currently existing Franchise Agreement or Area Development Agreement with us must sign a general release. For purposes of determining whether the 10% threshold is satisfied, holdings of spouses (and family members living in the same household) and Affiliates will be aggregated. You must reimburse us for all indirect and indirect costs and expenses incurred with the transfer, including attorney's fees. You and the transferee/assignee shall use an independent third party escrow company designated by us. Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials, indemnify us, our affiliates, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them with the offering, and pay us a fee to reimburse us for our costs and expenses associated with reviewing the proposed offering.
n Franchisor's right of first refusal to acquire Franchisee's business	Section 13.2.3(d)	We can match any offer for your business
o Franchisor's option to purchase Franchisee's business	Section 15.1.2	We have the option to purchase some or all of your equipment and furnishings on expiration or termination of your Franchise Agreement, at its net book value using a 5-year straight line amortization period.
p Death or disability of Franchisee	Section 14.3.2	Same requirements as for transfer in 'm' above, except there is no transfer fee and we do not have right of first refusal. If your interest is not transferred within 6 months following your (or a major member, partner or

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
		shareholder's) death or legal incapacity, your Franchise Agreement will be automatically terminated
q Non-competition covenants during the term of the Franchise	Sections 12.1.1, and 12.8	No involvement in any Mexican-style restaurant or in any business engaged in the production or sale at retail or wholesale, of any salsa, Mexican-style food product or any other item featured at La Salsa® Restaurants, other than a La Salsa® Restaurant operated under a valid Franchise Agreement with us. Except with the operation of a La Salsa® Restaurant under a valid Franchise Agreement, you may not use our Trade Secrets in any business or other endeavor. You may not divert, or attempt to divert, any business or any customers of your Restaurant to any other person or entity or do any other act injurious or prejudicial to the goodwill associated with the La Salsa® marks. You may not, without our prior written consent, employ any supervisory or managerial employee (or former supervisory or managerial employees for one year following the separation of employment or affiliation) of ours, our affiliates or any other La Salsa® licensee, franchisee or Area Developer, or induce, contract or solicit any supervisory or managerial employee to leave his employment or affiliation.
r Non-competition covenants after the Franchise is terminated or expires	Sections 12.1.2, 12.2, 12.5, 12.7 and 12.8	No involvement in any Mexican-style restaurant or in any business engaged in the production or sale at retail or wholesale, of any salsa, Mexican-style food product or any other item featured at La Salsa® Restaurants for 24 months at the Franchised Location or at any site within a 3 mile radius of any then-existing La Salsa® Restaurant or the Franchised Location. Except with the operation of a La Salsa® Restaurant under a valid Franchise Agreement, you may not use our Trade Secrets in any business or other endeavor after your Franchise Agreement is terminated or expires. You may not, without our prior written consent, employ any supervisory or managerial employee (or former supervisory or managerial employees for one year following the separation of his employment or affiliation) of ours, our affiliates or any other La Salsa® franchisee, or induce, contract or solicit any employee to leave his employment or affiliation for 24 months. If you violate the post-term covenant not to compete, you must pay us, throughout the 24 month period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT B)	SUMMARY
		any business which provides similar services or products at the Franchised Location or any site within a 3 mile radius of any La Salsa Restaurant or the Franchised Location
s Modification of the agreement	Section 7 4 2 and 19 7	The Manuals are subject to change Modifications become effective upon delivery of written notice to you, unless the notice specifies a longer period
t Integration/ merger clause	Section 19 7	Only the terms of the Franchise Agreement and its attachments are binding, (subject to state law) Any representations or promises made outside of the Disclosure Document and the Franchise Agreement and its attachments may not be enforceable Nothing in the Franchise Agreement or in any related Exhibit is intended to disclaim the representations made to you in this Disclosure Document
u Dispute resolution by mediation or arbitration	Sections 18 1 - 18 2, and 18 4	We must attempt to resolve all disputes first by mediation in Orange County, California, and then by binding arbitration in Los Angeles, California, except for certain matters which may be brought in court.
v Choice of forum	Section 18 1, 18 5	All proceedings will be held in Orange County, California, subject to applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document.
w Choice of law	Section 18 5	California, subject to the exception provided in Section 185 and applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document

AREA DEVELOPMENT AGREEMENT

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT C)	SUMMARY
a Length of the term of the Area Development Agreement	Section 4 1	5 years or when you sign a Franchise Agreement for your last Restaurant necessary to fully satisfy your Development Obligation on <u>Exhibit C</u> , whichever is earlier
b Renewal or extension of the term of the Area Development Agreement	Sections 2 4 and 4 2	You do not have the right to renew your Area Development Agreement However, if we determine that further development of your Development Area beyond your development obligation is desirable, if you

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT C)	SUMMARY
		are in good standing and you were not in default under your Area Development Agreement during your original term, we will offer you the opportunity to sign a new Area Development Agreement to develop additional La Salsa® Restaurants in your Development Area Unless we consent in writing, you may not open more than the total number of Restaurants comprising your Development Obligation
c Requirements for Area Developer to renew or extend	Section 4 4	You must sign a new Area Development Agreement on our then current form of agreement, which will contain your additional development obligation during the new term You and your affiliates who have a currently existing Franchise Agreement or Area Development Agreement with us must sign a general release
d Termination by Area Developer	Not Applicable	Not Applicable
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with "cause"	Section 9 1	We can terminate if you materially default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us
g Cause' defined - curable defaults	Section 9 1	You have 5 days to cure a failure to pay fees (10 days in Illinois) You have 20 days to cure any other default, and in the case of a breach or default in the performance of your obligations under your Area Development Agreement, a Franchise Agreement or any agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control
h Cause' defined - non-curable defaults	Section 9 2	Non-curable defaults include unapproved transfers, failure to meet development obligation, any breach for unfair competition described in <u>Section 8</u> , failure, for 10 days after notification of noncompliance, to comply with any federal, state or local law or <u>regulation applicable</u> to the operation of the Franchise, and a breach of your obligations under your Area Development Agreement, a Franchise Agreement or any agreement between you and us, which by its nature is not capable of being cured by you
i Area Developer's obligation on termination/non-renewal	Section 4 5	You will have no further right to develop or operate additional La Salsa® Restaurants which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and us You may

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT C)	SUMMARY
		continue to own and operate all La Salsa® Restaurants under then existing Franchise Agreements
j Assignment of contract by Franchisor	Section 7 1	No restrictions on our right to assign
k "Transfer" by Area Developer - defined	Section 7 3	Includes transfer of the agreement or changes in ownership of the entity which owns it No shares of a Franchisee which is a business entity may be offered for sale through the public offering of securities Shares may be offered by private offering with our prior written consent
l Franchisor's approval of transfer by Area Developer	Section 7 3	Transfers require our prior written consent which may be withheld for any reason, in our sole subjective judgment
m Conditions for Franchisor's approval of transfer	Sections 7 2 and 7 3	Except as described below, you may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee With our prior written consent, you may sign and immediately transfer a Franchise Agreement signed by you to an entity of which you directly own at least 51% interest for convenience of ownership The controlled entity must assume all of your obligations under the Franchise Agreement At our election, all persons owning a 10% or more interest in the controlled entity must sign a guarantee, and you and your affiliates who have a currently existing Franchise Agreement or Area Development Agreement with us must sign a general release For purposes of determining whether the 10% threshold is satisfied, holdings of spouses (and family members living in the same household) and Affiliates will be aggregated You must reimburse us for all indirect and indirect costs and expenses incurred with the transfer, including attorney's fees At our election, the assignee must sign our then-current form of Franchise Agreement for each of your La Salsa® Restaurants then developed or under development

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT C)	SUMMARY
		Before shares of a Franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials, indemnify us, our affiliates, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them with the offering, and pay us a fee to reimburse us for our costs and expenses associated with reviewing the proposed offering
n Franchisor's right of first refusal to acquire Area Developer's business	Section 7.3	We may match any offer to purchase your business
o Our option to purchase Area Developer's business	Not Applicable	Not Applicable
p Death or disability of Area Developer	Sections 7.3 and 9.2 (b)	Same requirements as for a transfer in m' above. If your interest is not transferred within 60 days following your (or a major member, partner or shareholder's) death or legal incapacity, your Area Development Agreement will be automatically terminated.
q Non-competition covenants during the term of the franchise	Sections 8.1 and 13.1	Unless we agree otherwise in writing, you may have no involvement in any Mexican-style restaurant or in any business engaged in the production or sale at retail or wholesale of any salsa, Mexican-style food product or any other item featured at La Salsa® Restaurants, other than a La Salsa® Restaurant operated under a valid Franchise Agreement with us. If Area Developer is an entity, the entity may not conduct any business other than the business of the Area Development Agreement and any Franchise Agreements between it and us.
r Non-competition covenants after the franchise is terminated or expires	Section 8.2	Unless we agree otherwise in writing, for 2 years following the expiration or termination of the Area Development Agreement, you may have no involvement in any Mexican-style restaurant or in any business engaged in the production or sale at retail or wholesale, of any salsa, Mexican-style food product or any other item featured at La Salsa® Restaurants, anywhere in the development area, other than a La Salsa® Restaurant operated under a valid Franchise Agreement with us.
s Modification of the Area Development Agreement	Section 10.8	The Area Development Agreement can be modified or amended only by written agreement of all of the parties.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT C)	SUMMARY
t Integration/merger clause	Section 10 8	Only the terms of the Area Development Agreement and its attachments are binding (subject to state law) Any representations or promises made outside of the Disclosure Document and the Area Development Agreement and its attachments may not be enforceable Nothing in the Area Development Agreement or in any related Exhibit is intended to disclaim the representations made to you in this Disclosure Document.
u Dispute resolution by mediation or arbitration	Sections 11 1 - 11 2, 11 4	We must attempt to resolve all disputes first by mediation in Orange County, California, and then by binding arbitration in Los Angeles, California, except for certain matters which may be brought in court
v Choice of forum	Section 11 1	All proceedings will be held in Orange County, California, subject to applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document
w Choice of law	Section 11 5	California, subject to the exception provided in Section 11 5 and applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document

EXPRESS RESTAURANT FRANCHISE AGREEMENT

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN EXPRESS RESTAURANT FRANCHISE AGREEMENT (EXHIBIT E)	SUMMARY
a Length of the franchise term	Section 2(A)	10 years from the date the Express Restaurant opens The Express Restaurant Franchise Agreement will automatically terminate if your contract to provide foodservice at the Facility terminates or expires without renewal
b Renewal or extension of the franchise term	Section 2(B)	You can renew for 2 additional consecutive Renewal Terms of 5 years each

PROVISION	SECTION IN EXPRESS RESTAURANT FRANCHISE AGREEMENT (EXHIBIT E)	SUMMARY
c Requirements for Franchisee to renew or extend	Section 2(B)	In order to renew at the end of the Initial Term you must give timely notice, sign general release, have the right to remain in possession of the Licensed Location for the first Renewal Term, not be in default under any agreement with LSI and our affiliates, remodel, sign a new license agreement, and pay a renewal fee. The conditions for renewal at the expiration of the first and second renewal terms will in the license agreement in effect at each of those times. You may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your preceding Franchise Agreement.
d Termination by Franchisee	Section 2(A)	You may terminate the Express Restaurant Franchise Agreement following 60 days written notice to LSI if your client at the Facility instructs you in writing to cease operating the Express Restaurant (if you have exercised your best efforts to arrange a meeting between your client and LSI, if LSI so elects, to discuss the continued operation of the Express Restaurant). If your contract to provide foodservice at the Facility permits your client to take this action on shorter notice, the notice period provided in that contract shall govern, if you have provided LSI a copy of the relevant contract provision.
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with cause	Section 16	We may terminate upon default.
g "Cause" defined – curable defaults	Sections 16(A) and 16(B)	You have 10 days to cure monetary defaults. You have 30 days to cure all other defaults except those discussed in (h) below.
h "Cause" defined – non-curable defaults	Section 16(C)	Default after receipt of 2 or more notices of default within the preceding 12 months, failure, for 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise, and a breach of obligations under the Franchise Agreement or other agreement between you and us, which by its nature is not capable of being cured by you, failure to purchase and maintain required inventory within 3 days after we notify you to do so.

PROVISION	SECTION IN EXPRESS RESTAURANT FRANCHISE AGREEMENT (EXHIBIT E)	SUMMARY
i Franchisee's obligations on termination/non-renewal	Section 17	Obligations include payment of amounts due return of the Manual and all other LSI materials and information, continued observance of covenants, discontinue use of Marks, and complete de-identification of the Express Restaurant You must also pay us 2 multiplied by the total royalty fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of the Franchise Agreement during the 2 year period that we estimate will expire while we search for a replacement franchisee
j Assignment of contract by Franchisor	Section 13	There are no restrictions on our right to assign
k "Transfer" by Franchisee - definitions	Section 14	Includes (1) the sale, assignment, or other transfer of the Express Restaurant Franchise Agreement, or the Express Restaurant to any person or entity other than your direct or indirect parent, (2) the sale or transfer of all or substantially all of your assets, (3) the consolidation or merger of your direct or indirect parent into any other person or entity, and (4) unless you are a publicly-held entity or a wholly-owned subsidiary or division of a publicly-held entity, the sale, assignment or other transfer of 51% or more of the ownership interests in you to a person or entity that did not have an ownership interest in you as of the date of the Express Restaurant Franchise Agreement
l Franchisor's approval of transfer by Franchisee	Section 14	We have the right to approve transfers
m Conditions for Franchisor's approval of transfer	Section 14	Conditions include transferee qualified, transferee must score sufficiently high, as determined solely by us, on a professionally-administered English language proficiency examination if we determine testing is required, payment of amounts due, no default on any agreement with LSI or our affiliates, signed release, successful completion of our Initial Training Program taught either by your Certified Trainer or, if you do not have a Certified Trainer on staff by us, training and transfer fees paid, and agreements signed
n Franchisor's right of first refusal to acquire Franchisee's business	Not Applicable	Not Applicable

PROVISION	SECTION IN EXPRESS RESTAURANT FRANCHISE AGREEMENT (EXHIBIT E)	SUMMARY
o Franchisor's option to purchase Franchisee's business	Section 18	We can purchase the equipment and/or non-perishable inventory used in the Express Restaurant upon expiration or termination of the Express Restaurant Franchise Agreement. The purchase price for the inventory will be the price you
		paid and the purchase price for the equipment will be its fair market value, determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the equipment
p Death or disability of Franchisee	Not Applicable	Not Applicable
q Non-competition covenants during the term of the franchise	Section 15(B)	You may not have any interest in any foodservice operation at the Facility (i) that sells Mexican style food items or any other entrée menu item that comprises at least 10% of sales at La Salsa® Restaurants operated by LSI or our affiliates or, (ii) whose method of operation or trade dress is similar to that employed in the La Salsa® Restaurant System. This restriction will not apply to your existing restaurant or foodservice operations identified in the Express Restaurant Franchise Agreement.
r Non-competition covenants after the franchise is terminated or expires	Section 15(B)	No activity as described in 'q' above for 12 months following termination of the Express Restaurant Franchise Agreement. This restriction, however, will not apply to your existing restaurant or foodservice operations identified in the Express Restaurant Franchise Agreement.
s Modification of the agreement	Section 24(E)	No modification generally without signed agreement, but LSI may modify the La Salsa® Restaurant System and the Manuals.
t Integration/merger clause	Section 24(E)	Only the terms of the Express Restaurant Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside of the Disclosure Document and Express Franchise Agreement and its attachments may not be enforceable. Nothing in the Express Franchise Agreement or in any related Exhibit is intended to disclaim the representations made to you in this Disclosure Document.
u Dispute resolution by mediation or arbitration	Sections 23(A) - 23(B), 23 (D)	We must attempt to resolve all disputes first by mediation in Orange County, California, and then by binding arbitration Los Angeles, California, except for certain matters which may be brought in court.

PROVISION	SECTION IN EXPRESS RESTAURANT FRANCHISE AGREEMENT (EXHIBIT E)	SUMMARY
v Choice of forum	Section 23(A), 23(F)	All proceedings will be held in Orange County, California, subject to applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document
w Choice of law	Section 23(F)	California, subject to the exception provided in <u>Section 23(E)</u> and applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document

ASSET PURCHASE AGREEMENT

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D) AND SUBLEASE (ATTACHMENT E TO THE ASSET PURCHASE AGREEMENT)	SUMMARY
a Length of the franchise term	<u>Section 1</u> of the Sublease	The remaining term of the Master Lease
b Renewal or extension of the term	<u>Section 1</u> of the Sublease	If the Master Landlord grants option and if Sublessor extends the term
c Requirements for Franchisee to renew or extend	Not Applicable	Not Applicable
d Termination by Franchisee	Not Applicable	Not Applicable
e Termination by Franchisor without Cause	Not Applicable	Not Applicable
f Termination by Franchisor with cause	<u>Section 14</u> of the Asset Purchase Agreement, <u>Section 9</u> of the Sublease	We may terminate the Asset Purchase Agreement at any time before to the Closing Date (i) if you breach any representation, warranty, covenant or agreement in the Asset Purchase Agreement and fail to cure within 5 days after written notice is given by to you (except that no cure

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D) AND SUBLEASE (ATTACHMENT E TO THE ASSET PURCHASE AGREEMENT)	SUMMARY
		period will be provided for a breach which by its nature cannot be cured) (ii) if you fail to complete the Initial Training Program within 2 months after you sign the Asset Purchase Agreement, (iii) if you do not complete the Initial Training Program to our satisfaction, or (iv) if you do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or the Franchise Agreement We may terminate the Sublease if you default
g Cause" defined - curable defaults	<u>Section 14</u> of the Asset Purchase Agreement, <u>Section 9</u> of the Sublease	Asset Purchase Agreement -Breach of representation, warranty, covenant or agreement in the Asset Purchase Agreement must be cured within 5 days (10 days in Illinois) after written notice is given by to you (except that no cure period will be provided for a breach which by its nature cannot be cured) A default under the Sublease must be cured within 3 days after written notice
h Cause' defined - non-curable defaults	<u>Section 14</u> of the Asset Purchase Agreement	Asset Purchase Agreement -If we determine during the Initial Training Program that you are not acceptable to become a Franchisee of for any reason, in our sole and absolute discretion, the Asset Purchase Agreement will automatically terminate
i Franchisee's obligations on termination/nonrenewal	Not Applicable	If we terminate because of your breach of any representation, warranty, covenant or agreement in the Asset Purchase Agreement, we can retain your deposit paid against the Purchase Price
j Assignment of contract by Franchisor	<u>Section 19(c)</u> of the Asset Purchase Agreement	There are no limits on our assignment rights
k Transfer" by Franchisee - definition	<u>Section 19(c)</u> of the Asset Purchase Agreement, <u>Section 10</u> of the Sublease	You may not assign your rights under the Asset Purchase Agreement You may not assign your rights under the Sublease without our consent
l Franchisor s approval of transfer by	<u>Section 18(c)</u> of the	You may not assign your rights under the Asset Purchase Agreement

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D) AND SUBLEASE (ATTACHMENT E TO THE ASSET PURCHASE AGREEMENT)	SUMMARY
Franchisee	Asset Purchase Agreement, <u>Section 10</u> of the Sublease	You may not assign your rights under the Sublease without our consent
m Conditions for Franchisor's approval of transfer	Not Applicable	Not Applicable
n Franchisor's right of first refusal to acquire Franchisee's business	Not Applicable	Not Applicable
o Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p Death or disability of Franchisee	Not Applicable	Not Applicable
q Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s Modification of the agreement	<u>Section 19(e)</u> of the Asset Purchase Agreement	Must be in writing signed by both parties
t Integration/merger clause	<u>Section 19(e)</u> of the Asset Purchase Agreement <u>Section 12</u> of the Sublease	Only the terms of the Asset Purchase Agreement and Sublease are binding (subject to state law) Any representations or promises made outside of the Disclosure Document, the Asset Purchase Agreement and its attachments, the Sublease and its attachments may not be enforceable Nothing in the Asset Purchase Agreement or Sublease or in any related Exhibit is intended to disclaim the representations made to you in this Disclosure Document

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D) AND SUBLEASE (ATTACHMENT E TO THE ASSET PURCHASE AGREEMENT)	SUMMARY
u Dispute resolution by mediation or arbitration	<u>Sections 18(a)</u> through <u>18(b), 18(c)</u> of the Asset Purchase Agreement	We must attempt to resolve all disputes first by mediation in Orange County, California, and then by binding arbitration in Los Angeles, California, except for certain matters which may be brought in court
v Choice of forum	<u>Section 18(a)</u> of the Asset Purchase Agreement, <u>Section</u> <u>13</u> of the Sublease	All proceedings will be held in Orange County, California, subject to applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this Disclosure Document
w Choice of law	<u>Section 18(d)</u> of the Asset Purchase Agreement, <u>Section</u> <u>13</u> of the Sublease	California, subject to the exception provided in Section 18(d) and applicable state law See the State Specific Addenda (<u>Exhibit O</u>) attached to this disclosure document

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our Franchise. No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of the franchised business or the endorsement or recommendation of the franchised business by a public figure in advertisements. You do not have the right to use the name of any public figure in promotional efforts or advertising without prior written approval from us. No public figures are involved in the actual management or control of LSF.

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 of a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any 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.

management by contacting our Chief Financial Officer, Robert Gonda, 320 Commerce, Suite 100, Irvine, California 92602, (949) 270-8900, the Federal Trade Commission, and the appropriate state regulatory agencies

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO 1
SYSTEM WIDE RESTAURANT SUMMARY
FOR YEARS 2013 TO 2015**

OUTLET TYPE ¹	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE* (+ or -)
Franchised				
	2013	29	26	-3
	2014	26	23	-3
	2015	23	18	-5
Company Owned				
	2013	10	9	-1
	2014	9	7	-2
	2015	7	6	-1
Total Outlets				
	2013	39	35	-4
	2014	35	30	-5
	2015	30	24	-6

**TABLE NO 2
TRANSFER OF RESTAURANTS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2013 TO 2015**

STATE	YEAR	NUMBER OF TRANSFERS
California		
	2013	0
	2014	1
	2015	1
Total Outlets		
	2013	0
	2014	1
	2015	1

(THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

TABLE NO 3
STATUS OF FRANCHISED RESTAURANTS
FOR YEARS 2013 to 2015

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	REACQUIRED BY FRANCHISOR	TERMINATIONS	NON- RENEWALS	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
Arizona								
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	1	0	2
California								
	2013	17	0	0	0	0	3	14
	2014	14	0	0	0	0	3	11
	2015	11	0	0	0	3	0	8
Indiana								
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Missouri								
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
New Jersey								
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	1	0	0	0
Nevada								
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
Texas								
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	REACQUIRED BY FRANCHISOR	TERMINATIONS	NON- RENEWALS	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
Total Outlets								
	2013	29	0	0	0	0	3	26
	2014	26	0	0	0	0	3	23
	2015	23	0	0	1	4	0	18

During the last 3 fiscal years, we have signed confidentiality clauses with current or former franchisees. In some instances current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

Exhibit M is a list of La Salsa franchisee-owned Restaurants as of December 28, 2015. Also included in Exhibit M are the names, addresses and last known telephone numbers of every Franchisee who had a Franchise Agreement terminated, canceled, not renewed, or which otherwise voluntarily or involuntarily ceased doing business between December 30, 2014 and December 28, 2015, or who has not communicated with us within 10 weeks of the application date of our application for registration or renewal.

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

There are no independent franchisee organizations that have asked to be included in this Disclosure Document.

(THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

TABLE NO 4
STATUS OF COMPANY AND AFFILIATE OWNED RESTAURANTS
FOR YEARS 2013 to 2015

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
California							
	2013	8	0	0	1	0	7
	2014	7	0	0	0	1	6
	2015	6	0	0	1	0	5
Nevada							
	2013	2	0	0	0	0	2
	2014	2	0	0	0	1	1
	2015	1	0	0	0	0	1
Total Outlets							
	2013	10	0	0	1	0	9
	2014	9	0	0	0	2	7
	2015	7	0	0	1	0	6

The figures in this chart reflect the number of La Salsa® Restaurants at both captive market and traditional locations

(THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

**TABLE NO 5
PROJECTED OPENINGS AS OF
DECEMBER 28, 2015**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY- OWNED OUTLETS IN THE NEXT FISCAL YEAR
California	0	0	0
Total	0	0	0

**ITEM 21
FINANCIAL STATEMENTS**

Attached as **Exhibit Q** and incorporated by this reference are our audited Financial Statements as of December 28, 2015, December 29, 2014, and December 30, 2013. Our fiscal year end is usually the last Monday in December of each year.

**ITEM 22
CONTRACTS**

Attached as **Exhibit A** is a copy of our current form of Initial Training Agreement.

Attached as **Exhibit B** is a copy of our current form of Franchise Agreement for Traditional Restaurants.

Attached as **Exhibit C** is a copy of our current form of Area Development Agreement.

Attached as **Exhibit D** is a copy of our current form of Asset Purchase Agreement.

Attached as **Exhibit E** is a copy of our current form of Express Restaurant Franchise Agreement.

Attached as **Exhibit F** is a copy of our current form of Non-Disclosure Agreement for your employees.

Attached as **Exhibit G** is a copy of our current form of Confidentiality Agreement which we will typically require you to sign during our discussions with you concerning our possible establishment of a franchise relationship.

Attached as **Exhibit H** is a copy of our current form of General Release which you, and all of your affiliated persons and entities who have currently existing Franchise Agreements with us, must sign before we sign a Franchise Agreement with you or an affiliated entity for an additional La Salsa® Restaurant.

Attached as **Exhibit I** is the form of Guarantee that we will typically require your owners, members, partners or shareholders to sign if you are a business entity. By executing the Guarantee, the owners, shareholders, members or partners unconditionally and irrevocably guarantee your full and faithful performance of all of your obligations under all agreements between you and us or LAS Acquisition.

Attached as **Exhibit J** is a copy of our current form of Catering Addendum to Franchise Agreement.

Attached as **Exhibit K** is a copy of our current form of Addendum to Franchise Agreement for Purchase of Operating Restaurant.

Attached as **Exhibit L** is a copy of our current Option to Obtain Lease Assignment.

ITEM 23
RECEIPT

2 copies of an acknowledgment of your receipt of this Disclosure Document appear as **Exhibit R**. Please return one copy to us and retain the other for your records

EXHIBIT A

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

INITIAL TRAINING AGREEMENT

EXHIBIT A
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
INITIAL TRAINING AGREEMENT

LA SALSA FRANCHISE, LLC
INITIAL TRAINING AGREEMENT
TABLE OF CONTENTS

1	DEFINED TERMS	1
2	INITIAL TRAINING PROGRAM	4
3	INITIAL TRAINING FEE	4
4	NO OBLIGATION	5
5	CONFIDENTIALITY	6
6	NO RIGHT TO USE PROPRIETARY MARKS OR SYSTEM	6
7	GENERAL	6
8	MISCELLANEOUS PROVISIONS	8
9	SIGNATURES	12

EXHIBIT A
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT

INITIAL TRAINING AGREEMENT

THIS INITIAL TRAINING AGREEMENT (this **Agreement**) is made and entered into as of _____, _____, by and between La Salsa Franchise, LLC, a Delaware limited liability company (**Franchisor**), on the one hand, and _____, a _____ ("**Trainee**"), on the other hand, with reference to the following facts

A As a result of the expenditure of time skill, effort and money, Franchisor has developed and owns a unique and distinctive system (the "**System**") relating to the development, establishment and operation of quick service La Salsa® 'taqueria' restaurants. The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress, business methods, technical knowledge, standards and specifications for equipment, equipment layouts, supplies and menus (including food and beverage designations, food presentation, special recipes, and quality and quantity standards and other 'Confidential Information', as defined below), operating procedures for sanitation, maintenance and food and beverage storage, preparation and service, and methods and techniques for inventory and cost controls, recordkeeping and reporting, personnel management, training purchasing, sales, promotion and advertising. The System and its components may be changed, improved and further developed by Franchisor from time to time.

B Franchisor identifies the System by means of certain names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively the **Marks**) which Franchisor has designated or may in the future designate for use with the System. The Marks used to identify the System, including the principal Marks, may be modified by Franchisor and/or its affiliates from time to time. Franchisor continues to develop, use and control the use of these Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System's high standards of quality, appearance and service.

C Trainee desires to enter into the business of operating a La Salsa® Restaurant (a "**Restaurant**") as a franchisee of Franchisor under the System and using the Marks, and Trainee acknowledges and agrees that Trainee's completion of Franchisor's initial training program (the "**Initial Training Program**") for franchisees offered by Franchisor, to Franchisor's satisfaction, as determined by Franchisor, in its sole and absolute discretion, is a condition to the grant by Franchisor to Trainee of a license to operate a La Salsa® Restaurant as a franchisee of Franchisor and to the execution of a Franchise Agreement (the **Franchise Agreement**) for a La Salsa® Restaurant by Franchisor and Trainee.

NOW, THEREFORE, IT IS AGREED

1 DEFINED TERMS

The following capitalized terms in this Agreement shall have the meanings set forth below, unless the context otherwise requires:

"Affiliate" when used herein in connection with Trainee, includes each person or Entity which, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with Trainee. Without limiting the foregoing, the term **Affiliate** when used herein in connection with Trainee includes any Entity twenty percent (20%) or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold twenty percent (20%) or more of the Equity or voting control of Trainee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

Applicable Law means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority as in effect on the date hereof, and as may be amended, supplemented or enacted from time to time

Area Developer is the person granted the Area Development right to open and operate multiple unit franchises, generally within a delineated geographic area, and is a party to an Area Development Agreement with the franchisor. The area developer or its affiliates generally are parties to separate unit franchise agreements with the franchisor and the area developer does not have the right to grant or sell unit franchises to third parties

Area Development Program means a La Salsa program in which the franchisee has a defined area to develop and operate a minimum number of three (3) La Salsa Restaurants within a specified period of time

'Authorized La Salsa® Products' means the specific Mexican-style foods products, salsa products, tortillas, beverages and other food items and ancillary related products, which may include books, cups, coolers, hats, t-shirts and novelty items, as specified by Franchisor from time to time in the Manuals, or as otherwise directed by Franchisor in writing, for sale at a La Salsa® Restaurant, prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, standards and specifications, including specifications as to ingredients, brand names, preparation and presentation

'Competitive Activities' means to, own, operate, lend to, advise, be employed by or have any financial interest in (i) any Mexican-style restaurant or (ii) any business that engages in the production or sale at retail or wholesale of any salsa, Mexican-style food product or any other featured menu item which is now or in the future an Authorized La Salsa® Product, other than a La Salsa® Restaurant operated pursuant to a validly subsisting franchise agreement with Franchisor. Notwithstanding the foregoing, **'Competitive Activities'** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (x) is not a controlling person of, or a member of a group which controls, such Entity and (xx) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity

'Confidential Information' includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Trainee, or of which Trainee may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information does not include any information that was in the lawful and unrestricted possession of Trainee prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than

those of Franchisee after receiving it, has been received lawfully and in good faith by Trainee from a third party who did not derive it from Franchisor or Trainee, or is shown by acceptable evidence to have been independently developed by Trainee

"Director of Operations" means _____, or such other individual hereafter designated by Trainee, and accepted by Franchisor, who shall be vested with the authority and responsibility for the day-to-day operations of the Restaurant. The Director of Operations may (but need not) be an Owner, and with the prior written consent of Franchisor, may be the same individual as the Operating Principal.

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity which is not an individual.

"Equity" means capital stock, membership interests, Partnership Rights or other equity ownership interests of an Entity.

"Express Venue" is a La Salsa® facility located within a captive market site, another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums, arenas, airports, train stations, bus stations, Indian reservations, colleges and universities, recreational theme parks, schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider.

"Manuals" means Franchisor's operations and training manuals, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"Marks" shall have the meaning set forth in Recital B above.

"Operating Principal" means _____, or such other individual hereafter designated by Trainee, and accepted by Franchisor, to serve as the authorized representative of Trainee, who Trainee acknowledges and agrees shall act as Trainee's representative, and shall have the authority to act on behalf of Trainee during the Initial Training Program.

"Operating Restaurant" means a company-owned La Salsa® Restaurant that Trainee purchases from Franchisor's affiliate.

"Owner" means any, direct or indirect, shareholder, member, general or limited partner, trustee or other equity owner of an Entity.

"Restaurant Manager" means _____, or such other individual hereafter designated by Trainee, and accepted by Franchisor, who shall be responsible for overseeing the operation of the Restaurant.

"Restricted Persons" means Trainee, and each of its Owners and Affiliates, and their respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members of each of the foregoing who are individuals.

"System" means the Franchisor's operating methods and business practices related to a La Salsa® Restaurant, and the relationship between Franchisor and its franchisees, including interior and exterior Restaurant design, other items of trade dress, specifications for equipment, fixtures, and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions restrictions on

ownership, standard operating and administrative procedures, management and technical training programs and marketing and public relations programs, all as Franchisor may modify the same from time to time

Trade Secrets" means proprietary and confidential information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, and methods and techniques of operating the Restaurant at the Franchised Location and producing Authorized La Salsa® Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Trainee can show was already lawfully in Trainee's possession before receipt from Franchisor

Traditional Restaurant" means a new single traditional 1,300 to 1,800 square foot La Salsa® restaurant at a location which Trainee chooses and Franchisor accepts

Turnkey Restaurant" means a company-owned La Salsa® Restaurant that Franchisor's affiliate constructs and equips and sells to Trainee

2 **INITIAL TRAINING PROGRAM**

Franchisor shall provide an Initial Training Program in the System and the methods of operation at the Franchisor's training facilities, or the nearest certified training restaurant, for up to two (2) supervisory or managerial employees selected by Trainee who shall be the Operating Principal, Director of Operations and/or Restaurant Manager of the Restaurant. If Trainee is an Entity, Franchisor may require the Restaurant Manager to be an Owner, officer or other designated representative selected by Trainee and acceptable to, and approved by Franchisor. The Initial Training Program shall consist of approximately seven (7) weeks of training prior to the opening of the Restaurant and must be completed to the satisfaction of Franchisor before Trainee shall be eligible to sign a Franchise Agreement. Franchisor shall determine the contents and manner of conducting the Initial Training Program, in Franchisor's discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a La Salsa® Restaurant and may include such topics as on-site food preparation, portion control, preparation and cooking procedures, packaging procedures, La Salsa® standards, marketing and customer service techniques, reports and equipment maintenance. Trainee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Restaurant, the judgment as to whether or not Trainee or an Operating Principal, Director of Operations and/or Restaurant Manager has satisfactorily completed such training shall be determined by Franchisor, in its sole and absolute judgment. Trainee must complete the Initial Training Program to the satisfaction of Franchisor, obtain a site for Trainee's Restaurant and sign a Franchise Agreement for the Restaurant within six (6) months after the parties' execution of this Agreement, and Trainee must open the Restaurant for business within twelve (12) months after signing the Franchise Agreement, unless Franchisor and Trainee agree otherwise. Trainee acknowledges that Trainee has been advised by Franchisor that Trainee should not sign a lease or purchase a site for the Restaurant until Franchisor notifies Trainee that Trainee has successfully completed the Initial Training Program.

3 **INITIAL TRAINING FEE**

Trainee shall pay Franchisor an initial training fee of \$10,000 for the Initial Training Program (the '**Initial Training Fee**') for up to two (2) supervisory or managerial employees selected by Trainee who shall be the Operating Principal, Director of Operations or Restaurant Manager of the Restaurant. Trainee shall pay all travel, living, compensation and other expenses, if any, incurred by Trainee and/or Trainee's employees in connection with attendance at training programs. Trainee shall exert Trainee's best efforts to complete the Initial Training Program to Franchisor's satisfaction, as determined by Franchisor in its sole and absolute discretion. Trainee must attend and complete the Initial Training Program within six (6) months after the parties' execution of this Agreement, unless otherwise agreed by Franchisor.

3.1 **Initial Training Fee Credit** If Trainee completes the Initial Training Program to Franchisor's satisfaction, Franchisor shall credit the entire Initial Training Fee towards the Initial Franchise Fee (as

defined in Trainee's Franchise Agreement) for the Restaurant. Notwithstanding the foregoing, however, if Trainee's franchise will be located at an Express Venue, the Initial Training Fee shall not be credited against the Initial Franchise Fee for the Restaurant.

3.2 **Partial Refund of Initial Training Fee** If Trainee (i) fails to complete the Initial Training Program within six (6) months after the parties' execution of this Agreement, (ii) does not complete the Initial Training Program to Franchisor's satisfaction, (iii) does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or a Franchise Agreement, or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, this Agreement shall automatically terminate and be of no further force or effect, Trainee shall not be eligible to become a franchisee of Franchisor. Under these circumstances, for a 3 Restaurant Purchase Program, Area Development Program, Traditional Restaurant, and Operating Restaurant or Turnkey Restaurant, Franchisor shall retain \$8,000 of the Initial Training Fee and shall refund the \$2,000 balance of the Initial Training Fee to Trainee within thirty (30) days. The Initial Training Fee for an Express Venue Restaurant is not refundable under any circumstances. Notwithstanding anything to the contrary in this Agreement, if this Agreement is signed, and/or Trainee is trained, in conjunction with an asset sale, transfer or an assignment by an existing franchisee of franchisor, then the Initial Training Fee shall not be refundable under any circumstances.

3.3 **Good-Faith Estimate** Franchisor and Trainee acknowledge and agree that the actual damages to be suffered by Franchisor in the circumstances described in this Section 3 are difficult, if not impossible to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and the portion of the Initial Training Fee retained by Franchisor are a reasonable, good-faith estimate of such damages.

3.4 **Conditions of Refund** Payment by Franchisor and acceptance by Trainee of a refund of a portion of the Initial Training Fee shall constitute a release of any and all claims which each may have against the other (including the respective partners, shareholders, directors, agents or employees thereof) arising out of or in connection with the Initial Training Program and Trainee's efforts to purchase a license to operate a Restaurant. As a condition to the payment of any refund, Franchisor, Trainee, the Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person shall execute a mutual general release in a form prescribed by Franchisor, of any and all claims which such parties may have or believe to have against Franchisor, and/or its affiliated Entities and their respective officers, directors, agents, attorneys and employees, and each of them, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Initial Training Program, the Initial Training Fee and Franchisor's decision to not permit Trainee to purchase a license to operate a Restaurant which arose on or before the date of the mutual general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

4 FRANCHISOR UNDER NO OBLIGATION TO GRANT FRANCHISE

Franchisor and Trainee acknowledge and agree that neither the execution of this Agreement by Franchisor nor the completion of the Initial Training Program by Trainee, the Operating Principal, Director of Operations or the Restaurant Manager shall obligate Franchisor in any way to grant Trainee a license to operate a Restaurant or to execute a Franchise Agreement for a Restaurant. Franchisor may refuse to offer a Franchise Agreement to Trainee (i) if the Operating Principal, Director of Operations or Restaurant Manager fail to attend and complete the Initial Training Program to Franchisor's satisfaction, as determined by Franchisor, in its sole and absolute discretion, (ii) if the Operating Principal, Director of Operations or Restaurant Manager fail to complete the Initial Training Program within six (6) months after the parties' execution of this Agreement, unless otherwise agreed by Franchisor, (iii) if, for any reason, Franchisor determines during the Initial Training Program, in its sole and absolute discretion, that the Operating Principal, Director of Operations or Restaurant Manager do not appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or a Franchise Agreement, or (iv) if, for any reason, Franchisor determines during the Initial Training Program, in its sole and absolute discretion, that the Operating Principal, Director of Operations and Restaurant Manager are not acceptable to Franchisor for any reason whatsoever, in Franchisor's sole and absolute

discretion. If Franchisor refuses to offer Trainee a Franchise Agreement for a Restaurant, to the extent permitted by Applicable Law, neither the Operating Principal, Director of Operations, Restaurant Manager nor a Restricted Person shall, for a period of twenty-four (24) months thereafter, either directly or indirectly, own, operate, advise, be employed by or have any financial interest in any business engaged in Competitive Activities within an area of three (3) miles from any then existing La Salsa® Restaurant, without Franchisor's prior written consent. In applying for such consent, Trainee, and/or such individuals, will have the burden of establishing that any such activity will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees or Area Developers of the Franchisor.

5 CONFIDENTIALITY

To protect the System, the Marks, the Trade Secrets, the Authorized La Salsa® Products, and the goodwill associated with the same, neither Trainee nor the Operating Principal, Director of Operations, Restaurant Manager or a Restricted Person shall communicate, divulge or use for the benefit of, anyone else, any Confidential Information, knowledge or know-how concerning the methods of operation of a Restaurant which may be communicated to Trainee, or to such individuals, or of which Trainee, or such individuals, may be apprised, by virtue of their attendance at the Initial Training Program. The duplication or use of the System or Trade Secrets in any other endeavor or business by the Operating Principal, Director of Operations, Restaurant Manager or a Restricted Person shall constitute an unfair method of competition. The Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person shall (i) not use the System or Trade Secrets in any business or other endeavor other than in connection with the La Salsa® Restaurant, (ii) maintain absolute confidentiality of the System and the Trade Secrets during and after the term of this Agreement, and (iii) make no unauthorized copy of any portion of the System or the Trade Secrets, including without limitation, the Manuals, bulletins, supplements, confidential correspondence or other confidential communications, whether written or oral. In view of the importance of the Marks, the System and the Trade Secrets, and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity.

6 NO RIGHT TO USE MARKS OR SYSTEM

Franchisor and Trainee acknowledge and agree that this Agreement is not a Franchise Agreement and does not grant Trainee any right whatsoever to use, or to license the use of, the Marks, the Authorized La Salsa® Products or the System in any way.

7 DISPUTE RESOLUTION

7.1 Arbitration Except as provided in Sections 7.2 of this Agreement and except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged default hereunder, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one arbitrator selected by Franchisor and Franchisee in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, (i) the proceedings shall be held in Orange County, California, (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer, and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, but not limited to

the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 7.5 of this Agreement. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. The parties agree to be bound by the provisions of the limitations on the period of time in which claims must be brought under Applicable Law or this Agreement, whichever expires earlier. The parties further agree that, in connection with any arbitration proceeding conducted hereunder, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred.

7.2 Exceptions to Arbitration The arbitration provision in Section 7.1 of this Agreement shall not apply to (i) any action for injunctive or other provisional relief including, but not limited to, enforcement of liens, security agreements, or attachments, which a party deems to be necessary or appropriate to compel the other party to comply with its obligations under this Agreement, or (ii) any action Franchisor deems to be necessary or appropriate to protect the Marks and Trade Secrets of Franchisor. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

7.3 Other Remedies Nothing in this Article 7 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under Applicable Law.

7.4 Mediation Notwithstanding anything to the contrary in Section 7.1 of this Agreement, before either party may initiate any arbitration proceedings as described above (other than suits described in Section 7.3), Franchisor and Trainee pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Franchisor and Trainee agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Trainee. If the parties fail to complete mediation within the forty-five (45) day period, either Franchisor or Trainee may initiate an arbitration proceeding in accordance with Section 7.1. The fees and expenses of the mediator shall be shared equally by Franchisor and Trainee. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Trainee shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent legal proceeding.

7.5 Exceptions to Mediation The mediation provision in Section 7.4 shall not apply to any action for injunctive or other provisional relief including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's

obligations to Franchisor and/or to protect the Marks. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to mediation.

7.6 **Governing Law** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.5 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject.

7.7 **Survival** The terms of this Section 7 shall survive termination, expiration or cancellation of this Agreement.

8 **MISCELLANEOUS PROVISIONS**

8.1 **Notices** Except as otherwise expressly provided herein, all written notices permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor:

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: Charles Rink, Chief Executive Officer
Facsimile No. (949) 270-8901

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall & Harlan
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No. (818) 981-4764

If to Trainee:

Attention: _____
Facsimile No. _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

8.2 **Waiver and Delay** No waiver by Franchisor of any default or series of defaults in performance by Trainee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Trainee's obligations under this Agreement shall constitute a waiver of the provisions of this Agreement with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor makes no warranties or guarantees upon which Trainee may rely, and assumes no

liability or obligation to Trainee by providing any waiver approval, acceptance, consent, assistance or suggestion to Trainee in connection with this Agreement, or by reason of any neglect, delay or denial of any request

8 3 **Survival of Covenants** The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

8 4 **Successors and Assigns, Benefit** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Trainee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto

8 5 **Joint and Several Liability** If Trainee consists of more than one (1) person or Entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several, and such person(s) and/or Entities shall be deemed to be a general partnership

8 6 **Entire Agreement** This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations are merged herein and superseded hereby Trainee represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Franchise Disclosure Document for prospective franchisees required by Applicable Law, and Trainee agrees that it has executed this Agreement without reliance upon any such representation or promise This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto

8 7 **Titles for Convenience** Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement

8 8 **Gender and Construction** All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any article or Section hereof may require As used in this Agreement, the words "include, "includes" or "including" are used in a non-exclusive sense Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Franchisor which Trainee may be required to obtain hereunder may be given or withheld by Franchisor in its sole discretion To protect the System, the Marks, the Trade Secrets, the Authorized La Salsa® Products, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto Franchisor and Trainee intend that if any provision of this Agreement is susceptible to two (2) or more constructions, one (1) of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable

8 9 **Severability** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law If any part, article, section, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the

indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect

8 10 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this for all purposes provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

8 11 **Fees and Expenses** If any party to this Agreement shall bring any action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions, (2) contempt proceedings, (3) garnishment, levy, and debtor and third party examinations, (4) discovery, and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

8 12 **Submission of Agreement** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Trainee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

8 13 **Recognition of Business Risks** Trainee acknowledges and agrees that Trainee has conducted an independent investigation of the proposed franchise, and recognizes that the business venture contemplated by a Franchise Agreement involves business risks and that its success will be largely dependent upon the ability of Trainee as an independent business person. Franchisor expressly disclaims the making of, and Trainee acknowledges and agrees that it has not received, any warranty or guarantee, express or implied, as to the potential sales, income, profits, or success of the business venture contemplated by a Franchise Agreement, or of other La Salsa® Restaurants.

8 14 **Receipt of Franchise Disclosure Document** Trainee acknowledges and agrees that it has received a copy of the complete La Salsa Franchise, LLC, Franchise Disclosure Document for La Salsa® Restaurants, which contains a copy of this Initial Training Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Trainee acknowledges and agrees and agrees that Franchisor has made no promises, representations, warranties or assurances to Trainee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of a Restaurant, that Trainee has been informed by Franchisor that there can be no guaranty of success in the franchised business and that Trainee's business ability and aptitude is primary in determining Trainee's success.

8 15 **Review of Franchise Disclosure Document** Trainee acknowledges and agrees that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Trainee ample time and opportunity to consult with advisors and counsel of Trainee's own choosing about the potential benefits and risks of entering into this Agreement.

8 16 **No Representations by Franchisor** Trainee acknowledges and agrees that prior to the date of Trainee's execution of this Agreement, no employee, agent or other person speaking on Franchisor's behalf made (i) any statement or promise to Trainee concerning projected revenues, profits or operating costs of a La Salsa® Restaurant, (ii) any statement or promise to Trainee regarding the amount of money Trainee may earn in operating a La Salsa® Restaurant, (iii) any statement or promise to Trainee concerning the total amount of revenue a La Salsa® Restaurant will or may generate, or (iv) any statement or promise to Trainee regarding the costs Trainee will or may incur in operating a La Salsa® Restaurant

8 17 **Atypical Arrangements** Trainee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions and obligations in this Agreement. Trainee further acknowledges and agrees that Franchisor has made no warranty or representation that all Initial Training Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Initial Training Agreements previously executed or executed after the date of this Agreement with other La Salsa® franchisees in a non-uniform manner

8 18 **Anti-Terrorism Laws** Trainee, the Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person and their officers, directors, members and shareholders shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Trainee and such individuals certify, represent, and warrant that none of the property or interests of Trainee or such individuals is subject to being "blocked" under any of the Anti-Terrorism Laws and that Trainee and such individuals are not otherwise in violation of any of the Anti-Terrorism Laws

8 18 1 For the purposes of this **Section 8 18**, "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA Patriot Act and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war

8 18 2 Trainee, the Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person and their officers, directors, members and shareholders, and each of them, certify that none of its employees, or anyone associated with Trainee or such individuals, are listed in the Annex to Executive Order 13224. Trainee agrees not to hire any individual listed in the Annex. The Annex is available at

www.treas.gov/offices/enforcement/ofac/sdn/

8 18 3 Trainee certifies that Trainee has no knowledge or information that, if generally known, would result in Trainee, its officers, directors, members and shareholders, its employees, or anyone associated with Trainee to be listed in the Annex to Executive Order 13224

8 18 4 Trainee shall be solely responsible for ascertaining what actions must be taken by Trainee to comply with the Anti-Terrorism Laws, and Trainee specifically acknowledges and agrees that Trainee's indemnification responsibilities set forth in this Agreement pertain to Trainee's obligations under this **Section 8 18**

8 18 5 Any misrepresentation by Trainee under this **Section 8 18** or any violation of the Anti-Terrorism Laws by Trainee, the Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person or their officers, directors, members and shareholders, or Trainee's

employees shall constitute grounds for immediate termination of this Agreement and any other Agreement Trainee has entered with Franchisor, or an affiliated Entity of Franchisor, in accordance with the terms of this Agreement

8 19 **Transfers** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or Entity Trainee shall not have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or Entity

8 20 **Additional Documents** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement

8 21 **Incorporation of Recitals** The recitals set forth in Recitals A through C above are true and correct and are hereby incorporated by reference into the body of this Agreement

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____

Name _____

Title _____, and Individually

TRAINEE

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

EXHIBIT B

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

**LA SALSA FRANCHISE, LLC
FRANCHISE AGREEMENT**

**LA SALSA FRANCHISE, LLC
FRANCHISE AGREEMENT**

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS	1
ARTICLE 2 GRANT	7
ARTICLE 3 TERM AND RENEWAL	8
ARTICLE 4 PAYMENTS	10
ARTICLE 5 CONSTRUCTION AND COMMENCEMENT OF BUSINESS	12
ARTICLE 6 TRAINING	18
ARTICLE 7 MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE	22
ARTICLE 8 ADVERTISING AND CO OPS	29
ARTICLE 9 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES AND OTHER PRODUCTS	32
ARTICLE 10 REPORTS, BOOKS AND RECORDS, INSPECTIONS	36
ARTICLE 11 TRADEMARKS	37
ARTICLE 12 COVENANTS REGARDING OTHER BUSINESS INTERESTS	39
ARTICLE 13 NATURE OF INTEREST, ASSIGNMENT	44
ARTICLE 14 DEFAULT AND TERMINATION	49
ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION	52
ARTICLE 16 INSURANCE	54
ARTICLE 17 RELATIONSHIP OF PARTIES, DISCLOSURE	55
ARTICLE 18 DISPUTE RESOLUTION	56
ARTICLE 19 MISCELLANEOUS PROVISIONS	58
ARTICLE 20 SUBMISSION OF AGREEMENT	61
ARTICLE 21 ACKNOWLEDGMENTS	61

EXHIBITS

EXHIBIT A	ENTITY INFORMATION DISCLOSURE
EXHIBIT B	FRANCHISED LOCATION
EXHIBIT C	NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE

**LA SALSA FRANCHISE, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this **Agreement**) is made this _____, _____ (the **Effective Date**) by and between La Salsa Franchise, LLC, a Delaware limited liability company (" **Franchisor** "), on the one hand, and _____, a _____ (**Franchisee**), on the other hand, with reference to the following facts

A As a result of the expenditure of time, skill, effort and money, Franchisor has developed and owns a unique and distinctive system (the **System**) relating to the development, establishment and operation of quick service La Salsa® 'taqueria' restaurants. The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress, business methods, technical knowledge, standards and specifications for equipment, equipment layouts, supplies and menus (including food and beverage designations, food presentation, special recipes, trade secrets and other 'Confidential Information'), quality and quantity standards, operating procedures for sanitation, maintenance and food and beverage storage, preparation and service, Franchisor specified pricing and promotions and methods and techniques for inventory and cost controls, recordkeeping and reporting, personnel management, training, purchasing, sales, promotion and advertising. The System and its components may be changed, improved and further developed by Franchisor from time to time.

B Franchisor identifies the System by means of certain names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively the **Marks**) which Franchisor has designated or may in the future designate for use with the System. The Marks used to identify the System, including the principal Marks, may be modified by Franchisor, and/or its affiliates, from time to time. Franchisor continues to develop, use and control the use of these Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System's high standards of quality, appearance and service.

C Franchisee desires to obtain the license and franchise to operate a single Restaurant, under the Marks and in strict accordance with the System, and the standards and specifications established by Franchisor, and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 **Certain Definitions and Applicable Information** In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

Accounting Period means each one (1) Week period designated by Franchisor.

Additional Training shall have the meaning set forth in Section 6.2.3.

Administrative/Transfer Fee means the fee that Franchisee must pay Franchisor as a condition precedent to an Assignment of this Agreement in the amount set forth in Section 13.2.3(m). At Franchisor's option, this fee is subject to adjustment each year during the Term by an amount equal to the change in the CPI as compared to the preceding year.

Advertising Fee shall have the meaning set forth in Section 4.3.

Affiliate when used in connection with Franchisor or Franchisee, includes each person or Entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Franchisor or Franchisee, as applicable. Without limiting the foregoing, the term **Affiliate** when used in connection with Franchisee includes any Entity twenty percent (20%) or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold twenty percent (20%) or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term **Affiliate** shall not include or refer to Franchisor or that Affiliate and no obligation or restriction upon an Affiliate of Franchisee, shall bind Franchisor or such Affiliate or their respective direct and indirect parents or subsidiaries, or their respective officers, directors or managers.

Applicable Law means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the operation of the Restaurant, including all labor, immigration food and drug laws and regulations, as in effect on the Effective Date, and as may be amended, supplemented or enacted from time to time.

'Area Development Agreement means an agreement between Franchisee and Franchisor under which Franchisee, or its Affiliate, has agreed to open multiple Restaurants and pursuant to which Franchisee has executed this Agreement.

Assignment shall have the meaning set forth in Section 13.2.1.

Authorized La Salsa® Products means the specific Mexican-style foods products, salsa products, tortillas, beverages and other food items and ancillary related products, which may include books, cups, coolers, hats, t-shirts and novelty items as specified by Franchisor from time to time in the Manuals, or as otherwise directed by Franchisor in writing, for sale at the Restaurant, prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

La Salsa® Brand Product means any product now existing or developed in the future that bears any of Franchisor's Marks.

"Certified Trainer" shall have the meaning set forth in Section 13.2.4.

Competitive Activities means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any Mexican style restaurant or (ii) any business that engages in the production or sale at retail or wholesale of any salsa, Mexican-style food product or any other featured menu item which is now or in the future an Authorized La Salsa® Product, other than a La Salsa® Restaurant operated pursuant to a validly subsisting franchise agreement with Franchisor. Notwithstanding the foregoing, **Competitive Activities** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if the owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity.

Computer System shall have the meaning set forth in Section 7.3.2.

Confidential Information shall have the meaning set forth in Section 12.1.

'Continuing Royalty shall have the meaning set forth in Section 4.2.

'Co-Op Advertising Regions shall have the meaning set forth in Section 8.2.

Court shall have the meaning set forth in Section 18 2

'CPI' means the Consumer Price Index (U S Average, All Items) maintained by the US Department of Labor or any successor index

Crisis Management Event' means any event that occurs at or about the Restaurant that has or may cause harm or injury to customers or employees such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts shootings or any other circumstance which may damage the System, Marks, or image or reputation of Restaurants or Franchisor or its Affiliates

Default or **default** means any breach of, or failure to comply with, any of the terms or conditions of an agreement

Director of Operations shall have the meaning set forth in Section 7 2 2

"Dispute" shall have the meaning set forth in Section 18 1

Effective Date shall have the meaning set forth in the first paragraph of this Agreement

EFT shall have the meaning set forth in Section 4 8 1

Entity' means any limited liability company, Partnership, trust association, corporation or other entity which is not an individual

Equity means capital stock, membership interests, Partnership Rights or other equity ownership interests of an Entity

'Expiration Date means the earlier of _____, 20 __, or the expiration date of the Lease of the Franchised Location, whichever first occurs

Express Venue' is a La Salsa® facility located within a captive market site, another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums arenas, airports, train stations, bus stations, Indian reservations, colleges and universities, recreational theme park, schools, hospitals, military and other governmental facilities, office or in plant food service facilities shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider

Extension Term shall have the meaning set forth in Section 3 2 1

Final Acceptance shall have the meaning set forth in Section 5 1 1

Force Majeure means any event that is reasonably unforeseeable as of the date of this Agreement and that is beyond the reasonable control, directly or indirectly, of a party, the effects of which could not reasonably be prevented or avoided by that party with the exercise of commercially reasonable efforts and due diligence and which event does not result from the party's fault or negligence or the fault or negligence of its agents, employees or subcontractors and which event causes that party to be delayed, in whole or in part or unable to partially or wholly perform its obligations under this Agreement and subject to the satisfaction of the foregoing criteria, shall include (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or

energy, or a party foregoing 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. Provided, however, that neither an act or failure to act by a Governmental Authority, nor the performance, non performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure under this Agreement. The particular time period to which the event of Force Majeure applies shall be extended by an amount of time equal to the time period during which the Force Majeure shall have existed. The party claiming the extension by Force Majeure shall continue to provide the other party with updates and all information as may be requested by the other party, including that party's progress and diligence in responding to and overcoming the Force Majeure.

'Franchised Location' means _____, and shall have the meaning set forth in Section 5.1

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

Good Standing means Franchisee shall have maintained Franchisor's Minimum Evaluation Requirements and shall have complied with this Agreement and the Manuals.

'Goods and Services' shall have the meaning set forth in Section 9.4.1

Governmental Authority means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

Gross Sales means the total of all revenues derived from the Restaurant during each Accounting Period during the Term whether evidenced by cash, services, property, barter, or other means of exchange, and whether or not Franchisor offers such services or products in its other locations, including, (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee's Affiliate(s)) from the Restaurant, (b) sales of Authorized La Salsa® Products in contravention of this Agreement at locations other than the Restaurant, (c) the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible, (d) sales from vending devices including pay telephones, (e) mail or telephone orders received or filled in or from the Restaurant, (f) orders taken in or from the Restaurant although filled elsewhere, and (g) all sales or other income derived from catering and related services provided by FRANCHISE. Notwithstanding the foregoing, **Gross Sales** shall exclude the amount of bona fide refunds paid to customers, the amount of any state or local sales or use tax actually paid by Franchisee and sales of fixtures or other capital items sold by Franchisee after use thereof in the operation of the Restaurant.

'Heirs' shall have the meaning set forth in Section 14.3.2

Information shall have the meaning set forth in Section 10.1

'Initial Franchise Fee' shall be \$ _____

Internet means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire radio or other methods of transmission

Lease shall mean any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a third party, including any lease sublease, concession agreement license and similar arrangement between Franchisee and a third party

Local Advertising Expenditure shall have the meaning set forth in Section 8.1

Manuals means Franchisor's operations and training manuals, and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time

Marketing Development Fund shall have the meaning set forth in Section 4.3

Marks shall have the meaning set forth in Recital A above

Minimum Evaluation Requirements means that Franchisee (i) must have received an 'Excellent' rating for at least five (5) of each six (6) consecutive monthly evaluations, for each and every La Salsa® Restaurant then being operated by Franchisee, and any Affiliate of Franchisee, and (ii) may not have received more than one (1) "RIA" (Requires Immediate Attention) ratings during the same six (6) month period for any such La Salsa® Restaurant

Non-Proprietary Products shall have the meaning set forth in Section 9.3

Opening Assistance Team shall have the meaning set forth in Section 6.3.2 (a)

Operating Principal means _____, or such other individual hereafter designated by Franchisee, and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Franchisee, who Franchisee acknowledges and agrees shall act as Franchisee's representative, and shall have the authority to act on behalf of Franchisee during the Term

Owner means each of the individuals listed on Exhibit A and each future direct or indirect shareholder, member, general or limited partner, trustee or other equity owner of an Entity, except, that if Franchisor or any Affiliate of Franchisor has any ownership interest in Franchisee, the term 'Owner' shall not include or refer to Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the Franchisee, or its Owners shall bind Franchisor, or said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers

Patriot Act shall have the meaning set forth in Section 12.9.1

Partnership Rights means voting power, property, profits or losses, or partnership interests of a Partnership

Partnership means any general partnership, limited partnership or limited liability partnership

Preliminary Acceptance shall have the meaning set forth in Section 5.1.1

Permits means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law

POS System shall have the meaning set forth in Section 7.3.1(a)

Proprietary Software shall have the meaning set forth in Section 7.3.1(b)

Purchase Option shall have the meaning set forth in Section 13.2.3(d)

Premises means the premises owned, leased or subleased by Franchisee at which the Restaurant shall be located including any ancillary common area, campus, buildings and other structures associated with the Premises

Proprietary Products shall have the meaning set forth in Section 9.2

Renewal Franchise Agreement shall have the meaning set forth in Section 3.2.1

Renewal Notice shall have the meaning set forth in Section 3.3.1

Renewal Right shall have the meaning set forth in Section 3.2

Renewal Term shall have the meaning set forth in Section 3.2

Restaurant means the restaurant located at the Franchised Location and operated under the Marks and in accordance with the System pursuant to a validly existing Franchise Agreement and specializing in the sale of Authorized La Salsa® Products for on premises and off-premises consumption

Restaurant Manager means an individual, acceptable to Franchisor, responsible for overseeing the operation of the Restaurant

Restricted Persons means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse and family members of each of the foregoing who are individuals

Scheduled Completion Date shall have the meaning set forth in Section 6.3.1

Site Review Request shall have the meaning set forth in Section 5.1.1

Supplier shall have the meaning set forth in Section 9.3

System includes without limitation, Franchisor's operating methods and business practices related to a La Salsa® Restaurant, and the relationship between Franchisor and its franchisees, including interior and exterior Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, and marketing and public relations programs all as Franchisor may modify the same from time to time

Term shall have the meaning set forth in Section 3.1 including any extensions thereof

Then-Current means the form of agreement then-currently provided by Franchisor to similarly situated prospective Baja Fresh franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Baja Fresh franchisee of Franchisor, or, as the context of this Agreement indicates, the fees then currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like

Trade Secrets means proprietary and confidential information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know how, plans, software, strategies, methods and techniques of operating the Restaurant and producing Authorized La Salsa® Products and customer lists, including current and prospective customer names and addresses, information about credit extensions to customers, customer service purchasing histories, and rates charged to customer, but excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor

Traditional Restaurant means a business that exists primarily as a La Salsa® Restaurant, excluding any Restaurant at an Express Venue, however, which Traditional Restaurant may also have other types of Franchisor-approved co-branded businesses located in it, but in such case the La Salsa® Restaurant is the primary business

Week shall refer to the seven (7) day period ending on Monday at midnight of each calendar week, or such other seven (7) day period hereafter specified by Franchisor

ARTICLE 2 GRANT

2.1 **Grant** Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, to use and display the Marks, and to use the System to continuously operate one (1) Restaurant at, and only at, the Franchised Location upon the terms and subject to the provisions of this Agreement and all ancillary documents to this Agreement throughout the Term of this Agreement

2.2 **No Sublicensing Rights** Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Restaurant or to use the System granted pursuant to this Agreement. Franchisee does not have any right to exclude, control, or impose conditions on the location or development of any La Salsa® Restaurant, other restaurant, store or any other method of distribution under the La Salsa® trademark or any other trademark

2.3 **No Territorial Rights** The license granted to Franchisee under this Agreement is nonexclusive, Franchisee is not granted any protected or exclusive territory whatsoever. There are no radius restrictions or minimum population requirements which limit where Franchisor can franchise or operate another La Salsa® Restaurant. Franchisor expressly reserves all other rights including, the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others

2.3.1 To own or operate and to license others (which may include its Affiliates) to own or operate (i) La Salsa® Restaurants at any location regardless of their proximity to the Restaurant, (ii) La Salsa® Express Venues at any location and of any type whatsoever, regardless of their proximity to the Restaurant, and (iii) restaurants operating under names other than La Salsa®, at any location, and of any type whatsoever, regardless of their proximity to the Restaurant,

2.3.2 To produce, license, distribute and market La Salsa® Brand Products, including pre-packaged salsa, spice mixes, snacks and other food and beverage products, books, clothing, souvenirs and novelty items, through any outlet (regardless of its proximity to the Restaurant opened under this Agreement), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the Internet or Internet web site, mail order catalogs, direct mail advertising and other distribution methods, and to advertise and promote the System through any means including the Internet, and

2.3.3 To market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media

ARTICLE 3
TERM AND RENEWAL

3 1 **Initial Term** The term of this Agreement (the **Term**) shall begin on the Effective Date and shall continue until the Expiration Date, unless sooner terminated under this Agreement Franchisee shall have no right or option to extend or renew the term of this Agreement except as set forth in Section 3 2

3 2 **Renewal and Extension Right**

3 2 1 Subject to the conditions contained in Section 3 4 and Franchisee's compliance with Section 3 3, at the expiration of the Term, Franchisee shall have the right (the **Renewal Right**) to enter into a new franchise agreement in the form then generally being offered to prospective "La Salsa" franchisees (the "**Renewal Franchise Agreement** ") for a ten (10) year period (the **Renewal Term**), which Renewal Franchise Agreement shall likewise grant Franchisee the right to enter into one additional franchise agreement in the form then generally being offered to prospective "La Salsa" franchisees (the "**Extension Franchise Agreement** ") for a ten (10) year period (the **Extension Term**) Franchisee acknowledges that the Continuing Royalty and Advertising Fee payable during the Renewal Term and Extension Term shall be at the rates then applicable to new franchisees

3 2 2 The term of the Renewal Franchise Agreement and Extension Franchise Agreement, as applicable, shall commence upon the date of expiration of the Term or the Renewal Term, as applicable, provided, however, that notwithstanding the terms of Franchisor's Then-Current form of Franchise Agreement

(a) Franchisee shall pay a renewal fee equal to \$10,000, in lieu of an Initial Franchise Fee upon execution of the Renewal Franchise Agreement or upon execution of the Extension Franchise Agreement, as the case may be

(b) Unless otherwise mutually agreed in writing, the Renewal Franchise Agreement and Extension Franchise Agreement shall be modified to conform to the renewal rights granted in Section 3 2 1, and

(c) The Renewal Franchise Agreement shall provide that between thirty (30) months and forty-two (42) months before the expiration of its term, either Franchisor or Franchisee may notify the other in writing that it wishes to meet with the other to discuss Franchisee's Extension Right, and the parties shall then schedule a meeting (the **Current Status Review Meeting**) at or prior to which Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a General Release and at which Franchisor and Franchisee shall review and discuss matters relating to the Restaurant, which may include such matters as Franchisee's financial and operational performance, and defaults, if any, under this Agreement, the Franchisee's financial condition and prospects, Franchisee's plans and intentions, if any, to make any Assignment, general market conditions then existing in the areas comprising and surrounding the Restaurant the condition of the Restaurant and Franchisor's then existing expectations, if any, regarding any remodeling, renovation, modernization, refurbishing or new or replacement equipment regarding the Restaurant that Franchisor may or will require as a condition to Franchisee's exercise of the Extension Right, and Franchisor's recommendations for the balance of the Term Franchisee shall provide Franchisor reasonably in advance of the Current Status Review Meeting with such photographs, video and other information regarding the Restaurant as Franchisor may reasonably request Franchisor shall provide Franchisee with a written summary promptly following the Current Status Review Meeting

3 3 **Form and Manner of Renewal and Extension** The Renewal Right shall be exercised, if at all, strictly in the following manner

3 3 1 Between eight (8) months and fourteen (14) months before the expiration of the Term or the Renewal Term, Franchisee shall notify Franchisor in writing (the **Renewal Notice**) that it intends to exercise its

Renewal Right and no sooner than immediately after the expiration of any waiting period(s) by Applicable Law and no more than thirty (30) days after Franchisee receives Franchisor's Disclosure Document if applicable, and execution copies of the Renewal Franchise Agreement Franchisee shall execute the copies of the Renewal Franchise Agreement or Extension Franchise Agreement, as the case may be, and return them to Franchisor

3 3 2 If Franchisee shall have exercised its Renewal Right in accordance with Section 3 3 2 and satisfied all of the conditions contained in Section 3 4, Franchisor shall execute the Renewal Franchise Agreement or Extension Franchise Agreement, as the case may be, executed by Franchisee and at or prior to the expiration of the Term and deliver one fully executed copy thereof to Franchisee

3 3 3 If Franchisee fails to perform any of the acts, or deliver any of the notices required under Sections 3 3 or 3 4 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Renewal Right and shall automatically cause the Renewal Right to lapse and expire

3 4 **Conditions Precedent to Renewal** Franchisee's Renewal Right is conditioned upon Franchisee's fulfillment of each of the following conditions precedent

3 4 1 At the time Franchisee delivers its Renewal Notice to Franchisor and at all times thereafter until the commencement of the Renewal Term, Franchisee shall have fully performed, in all material respects, all of its obligations under this Agreement, the Manuals and all other agreements then in effect between Franchisee and Franchisor (or its Affiliates)

3 4 2 At Franchisor's request, Franchisee shall, prior to the date of commencement of the Renewal Term or Extension Term, as the case may be, undertake and complete at its expense, the remodeling, renovation, modernization, and refurbishing of the Premises, the Franchised Location and the Restaurant, which may include installation of new or replacement equipment, to comply with Franchisor's Then-Current specifications and standards for new Restaurants, provided, however, that Franchisor shall not require Franchisee, as a condition to exercising the Renewal Right, to perform major remodeling, renovation or improvement pursuant to Section 5 5 2 sooner than the first to occur of (i) five (5) years following the completion of, or (ii) six (6) years following commencement of, any major remodeling, renovation or improvement previously required by Franchisor pursuant to said Section 5 5 2

3 4 3 Without limiting the generality of Section 3 4 1, Franchisee shall not commit three (3) or more material defaults of Articles 4, 7, 9, 10, 11 or 12 during any eighteen (18) month period during the Term of this Agreement for which Franchisor shall have delivered notices of default whether or not such defaults were cured

3 4 4 Franchisee shall have in all material respects maintained its status as a "La Salsa" Franchisee in Good Standing throughout the Term or Renewal Term, as the case may be

3 4 5 Concurrently with the execution of the Renewal Franchise Agreement or Extension Franchise Agreement, as the case may be, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Franchisor a General Release

3 5 **Notice Required by Law** If Applicable Law requires that Franchisor give notice to Franchisee prior to the expiration of the Term or Renewal Term this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by such Applicable Law If Franchisor is not offering new franchises is in the process of revising, amending or renewing its form of franchise agreement or offering circular, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, in its discretion, either (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with Section 3 2, or (ii) offer to extend the Term or Renewal Term, as the case may be, on a week-to-week basis following the expiration of the Term or Renewal Term, as the case

may be for as long as Franchisor deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement

ARTICLE 4 PAYMENTS

4.1 **Initial Franchise Fee** Upon the execution of this Agreement, Franchisee shall pay to Franchisor the Initial Franchise Fee. One paid, the Initial Franchise Fee shall be non-refundable, in whole or in part, under any circumstances except as set forth in Section 6.1.5

4.2 **Continuing Royalty** Franchisee shall pay to Franchisor in accordance with Section 4.4, a royalty equal to five percent (5%) of its Gross Sales during each Accounting Period (' **Continuing Royalty** ')

4.3 **Advertising Fee** Franchisee shall pay to Franchisor, in accordance with Section 4.4, simultaneously with its Continuing Royalty payments, an Advertising Fee equal to one percent (1%) of its Gross Sales during each Accounting Period (the ' **Advertising Fee** '). Franchisor may, upon ninety (90) days' notice to Franchisee, adjust the amount of the Advertising Fee not to exceed three percent (3%) of Gross Sales. Franchisee shall contribute the Advertising Fee to the Marketing Development Fund to be administered in the manner provided in Section 8.3 (the ' **Marketing Development Fund** '). Pursuant to Section 8.2, Franchisor may also establish a co-op advertising fund for Franchisee's region. The fee for co-operative advertising will be determined by each co-op advertising region, as described in Section 8.2.2, and will not exceed one and one-half percent (1.5%) of Franchisee's total Gross Sales.

4.4 **Manner of Payment** Franchisee shall calculate the Continuing Royalty and Advertising Fee due to Franchisor for each Accounting Period and cause Franchisor to receive payment of all Continuing Royalties, Advertising Fees, and all other amounts then owed to Franchisor, together with a statement of Franchisee's Gross Sales for the Accounting Period (certified as complete and accurate by a duly authorized representative of Franchisee), no later than five (5) calendar days after the end of the applicable Accounting Period.

4.5 **Other Payments** In addition to all other payments provided in this Agreement, Franchisee shall pay to Franchisor, its Affiliates and designees, as applicable, promptly when due:

4.5.1 All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever.

4.5.2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon Franchisee and required to be collected or paid by Franchisor (a) on account of Franchisee's Gross Sales, or (b) on account of Continuing Royalties, Advertising Fees or Initial Franchise Fees collected by Franchisor from Franchisee (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Continuing Royalties are collected in this Agreement and promptly pay the tax collections to the appropriate governmental authority, provided, however, that unless Franchisor so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any Governmental Authorities on Continuing Royalties, Initial Franchise Fees, or Advertising Fees.

4.5.3 All amounts due for any reason, including on account of purchases of goods, supplies or services relating to the Restaurant.

4.6 **Application of Funds** If Franchisee shall be delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4 7 **Interest and Charges for Late Payments** If Franchisee shall fail to pay to Franchisor the entire amount of the Continuing Royalty, Advertising Fee and all other sums owed to Franchisor, its Affiliates or any Co-Op Advertising Region, promptly when due, Franchisee shall pay, in addition to all other amounts which are due but unpaid, interest on the unpaid amounts, from the due date thereof, at the rate of one and one half percent (1 5%) per month, or the highest rate allowable under applicable law, whichever is less. If any check, draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor's expenses arising from such non-payment, including bank fees in the amount of at least \$100 and any other related expenses incurred by Franchisor.

4 8 **EFT and Pre-Authorized Payments**

4 8 1 At Franchisor's request, Franchisee at Franchisee's sole cost and expense, shall instruct its bank to pay the amount of its Continuing Royalty, Advertising Fee and other fees directly to Franchisor from Franchisee's account, by electronic funds transfer or such other automatic payment mechanism which Franchisor may designate (**EFT**) and upon the terms and conditions set forth in the Manuals, and promptly upon Franchisor's request Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account to enable Franchisor to draw Franchisee's Continuing Royalty, Advertising Fee and other sums payable under the terms of this Agreement. If Franchisor shall designate EFT then Franchisee shall, in addition to those terms and conditions set forth in the Manuals, maintain a single bank account for such payments and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee shall not alter or close such account except upon Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

4 8 2 If Franchisee is delinquent more than two (2) times in any continuous twelve (12) month period during the Term in the payment of its Continuing Royalty, Advertising Fee or other fees, or of other sums due to Franchisor or to its Affiliates including on account of the purchase of goods or services, or fails to report its sales on a timely basis, Franchisor may require Franchisee to implement a system prescribed by Franchisor which shall permit Franchisor unilaterally to estimate and draw down the amounts owed by Franchisee, which system may include EFT systems, automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe. Franchisor may base its estimates of Advertising Contributions, Continuing Royalties and similar payments which are calculated based on Gross Sales, on Franchisee's historically reported Gross Sales. Franchisee shall promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement.

4 9 **Security Interest**

4 9 1 Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Restaurant, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Franchisee to use the Marks, trade names, trade styles, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable.

4 9 2 If Franchisee is in good standing under this Agreement and all other agreements between Franchisee and Franchisor or its Affiliates, then Franchisor shall, upon request of Franchisee, execute a written subordination of its security interest to lenders and/or lessors providing equipment or other financing for the Restaurant

4 9 3 If Franchisee is in default of any of the terms and conditions of this Agreement, Franchisor may, in its discretion exercise its rights with respect to its security interest. In such event Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest

4 10 **Gross-Up Fees** To ensure that Franchisor receives a full five percent (5%) of Gross Sales as a Continuing Royalty and the full Advertising Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Continuing Royalties and Advertising Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement

ARTICLE 5 CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5 1 **Franchised Location** Franchisee's Restaurant shall be located at the Franchised Location

5 1 1 If no Franchised Location has been inserted in the blank space provided above at the time of execution of this Agreement, Franchisee shall promptly following the execution of this Agreement locate one or more proposed sites which meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor (the **Site Review Request**). Franchisor may seek such additional information as it deems necessary within twenty (20) days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor does not deliver written notice to Franchisee that Franchisor accepts the proposed site, within twenty (20) days of receipt of Franchisee's Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If Franchisor accepts the proposed site it shall notify Franchisee of its preliminary acceptance of the site (the **Preliminary Acceptance**), which Preliminary Acceptance shall be subject to further analysis by Franchisor and successful negotiation by Franchisee of a final Lease or purchase agreement acceptable to Franchisor, and such other conditions as Franchisor may impose. Promptly following mutual execution of this Agreement or Franchisee's receipt of Preliminary Acceptance, if no Franchised Location has been inserted in the blank space provided above, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.3 have been included in the proposed Lease and that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Promptly following Franchisor's receipt of the proposed final lease or purchase agreement, as applicable, which meets Franchisor's requirements and evidence of Franchisee's satisfaction of all conditions set forth in the Preliminary Acceptance, Franchisor shall notify Franchisee (the **Final Acceptance**). Franchisee shall not enter into any Lease or purchase agreement for the Franchised Location unless Franchisee has received Final Acceptance relating to the proposed site and such Franchised Location shall be deemed to be the "Franchised Location" as defined above. Following the acquisition of the Franchised Location, Franchisor and Franchisee shall complete and execute **Exhibit B** attached to this Agreement and incorporated in this Agreement by reference to identify the Franchised Location.

5.1.2 If Franchisee desires to relocate the Restaurant, Franchisee shall give Franchisor at least sixty (60) days prior written notice that Franchisee desires to do so together with Franchisee's reasons for the relocation. To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, Franchisee may not relocate the Restaurant from the Franchised Location without Franchisor's prior written consent and must obtain Franchisor's prior written consent to relocate the Restaurant prior to ceasing operations at the Restaurant at the Franchised Location. If Franchisor shall consent to any relocation, Franchisee shall de-identify the former location in the manner described in Section 15.1.1 and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of Franchisee's failure to do so. Franchisee shall have sixty (60) days from the date Franchisee receives Franchisor's written consent to relocate the Restaurant to submit a new location to Franchisor for approval. If Franchisee fails to submit a new location to Franchisor for approval within the sixty (60) day approval period, Franchisor shall have the right to terminate this Franchise Agreement subject to the applicable provisions of this Agreement, provided, however, that Franchisee's request for additional time to find a new franchised location will not be unreasonably withheld. In addition, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new franchised location in which to secure the new franchised location and to open and begin to operate the Restaurant at the new franchised location. Once Franchisee has identified the new Franchised Location and Franchisor has approved it and the proposed Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor will prepare an addendum to Exhibit B to designate the Franchised Location and will provide the addendum to Franchisee. Franchisee shall pay Franchisor Continuing Royalty fees for the entire time period following the closure of the existing Restaurant to the opening of the Restaurant at the new Franchised Location based upon the Continuing Royalty received for the existing Restaurant during the identical period(s) of the last preceding calendar year, or, if the Restaurant was not in operation during the identical period of the last preceding year based upon the average Continuing Royalty during the number of months the Restaurant was in operation. If Franchisee fails to open the Restaurant at the approved new Franchised Location within twelve (12) months of Franchisor's approval of the new location, Franchisor may terminate this Franchise Agreement subject to the applicable provisions of this Agreement.

5.2 **Franchisor Site Selection Assistance** Franchisor may voluntarily (without obligation) assist Franchisee in obtaining an acceptable location. Neither Franchisor's said assistance, if any, its acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to ensure or guarantee the profitable or successful operation of the Franchised Location by Franchisee, and Franchisor hereby expressly disclaims any responsibility for such profit or success. Franchisee acknowledges its sole responsibility for finding the Franchised Location. Franchisee acknowledges its sole responsibility for finding each site for the Restaurant it develops pursuant to this Agreement.

5.3 **Lease or Purchase of Franchised Location**

5.3.1 If the Franchised Location is leased or subleased, (i) the Lease shall name Franchisee as the sole lessee thereunder and may not be assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Franchisor at least twenty (20) days prior to the execution thereof, (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Franchisor, nor grant or purport to grant to the lessor thereunder any rights against Franchisor, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement, (iv) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the Lease, and (v) a fully executed copy of said Lease, in the form and on the terms previously accepted by Franchisor, shall be delivered to Franchisor promptly following the execution thereof and upon Franchisor's request. The Lease shall, unless Franchisor otherwise consents in writing.

(a) Provide that the lessor shall not change the traffic flow around the Franchised Location or Premises,

(b) Provide that the lessor shall not permit the erection of signs or structures which obstruct the view of the Franchised Location or its signage

(c) Provide that the lessor shall maintain the common areas on a consistent basis,

(d) Provide that Franchisee shall be the only facility specializing in Mexican-style food sales in the center (or nearby centers owned by the same lessor),

(e) Provide that the term shall be for a period which is not less than the Term, unless Franchisor shall approve, in writing, a shorter term,

(f) Provide that the Franchised Location shall be constructed and improved pursuant to this Agreement,

(g) Grant Franchisor or its designee an option, to assume the Lease, or execute a substitute lease on the same terms, in the event of termination or expiration of this Agreement for any reason in accordance with the terms and conditions of Franchisor's standard form Option to Obtain Lease Assignment which shall be executed by Franchisor, Franchisee and the lessor concurrently with the execution of the Lease by Franchisee and such lessor,

(h) Provide that Franchisor or its designee shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease, and shall further provide that upon Franchisee's default under the Lease or upon any alleged default thereof by Franchisee, the lessor shall notify Franchisor in writing at least fifteen (15) days prior to its termination or non-renewal and, in the case of a default Franchisor or its designee shall have the right, but not the obligation, without liability to Franchisee, to cure the default and to succeed to Franchisee's rights under said Lease or request that the lessor terminate the Lease and enter into a substitute Lease with Franchisor or said affiliate on the same terms by giving written notice of such election to Franchisee and such lessor in accordance with the terms and conditions of Franchisor's standard-form Option to Obtain Lease Assignment which shall be executed by Franchisor, Franchisee and the lessor concurrently with the execution of the Lease by Franchisee and such lessor,

(i) Provide that Franchisee shall have the unrestricted right, without lessor consent, payment to lessor or modification of any term of the Lease, during the entire term of the lease (including any renewal terms) to assign or sublet the Franchised Location to Franchisor, its designee, or any franchisee or licensee approved by Franchisor,

(j) Provide that, except as permitted in (i) above, the Lease may not be assigned, subleased, modified or amended without Franchisor's prior written consent and that Franchisor shall be provided with copies of all such assignments, subleases, modifications and amendments,

(k) Not contain a non-competition covenant which purports to restrict Franchisor, or any franchisee or licensee of Franchisor (or its Affiliates), from operating a Restaurant or any other retail establishment, unless such covenant is approved by Franchisor in writing prior to the execution of the Lease,

(l) Authorize and require the lessor to disclose to Franchisor, upon Franchisor's request, sales and other information furnished to the lessor by Franchisee, and

(m) Provide that upon expiration or termination thereof for any reason, Franchisee shall, upon Franchisor's demand remove all of the Marks from the Franchised Location and Premises and modify the

decor of the Franchised Location so that it no longer resembles, in whole or in part, a Restaurant and that if Franchisee shall fail to do so, Franchisor will be given written notice and the right to enter the Franchised Location and Premises to make such alterations, in which event Franchisee shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection therewith, including attorney's fees

5.3.2 If Franchisor or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Franchisor or such designee all of its right title and interest in and to the Lease, whereupon the lessor thereunder shall agree to have Franchisor or such designee as the tenant thereunder. Franchisee shall execute and deliver to Franchisor or such designee such assignment and take such further action as Franchisor or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within ten (10) days after written demand by Franchisor or such designee to do so, and upon Franchisee's failure to do so, Franchisor or such designee shall be, and hereby is, appointed Franchisee's attorney in fact to do so. This power of attorney granted by Franchisee to Franchisor and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Franchisor or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Franchisor under this Agreement and Franchisee shall pay such amount to Franchisor upon demand. The covenants of Franchisee contained in this Section 5.3 shall survive the termination of this Agreement. Franchisor's acceptance of the Lease shall not constitute Franchisor's assurance that the terms of the Lease are favorable to Franchisee, or that the location will be successful.

5.3.3 Franchisee hereby authorizes Franchisor to communicate with the lessor under the Lease (and hereby authorizes such lessor to communicate with Franchisor) for any purpose, including de-identification of the Franchised Location following the termination or expiration of this Agreement, Franchisee's sales, Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Franchised Location commencing following the termination or expiration of Franchisee's Lease.

5.3.4 If the Franchised Location is to be purchased by Franchisee, the contract for purchase and sale shall be subject to Franchisor's review and acceptance, a true and correct copy of which shall be delivered to Franchisor at least twenty (20) days prior to the execution thereof, and a true and correct copy of such executed contract shall be furnished to Franchisor within twenty (20) days after execution.

5.4 Construction

5.4.1 Following the Effective Date and before the renovation or construction of the Restaurant operated under this Agreement or the Franchised Location, Franchisor shall provide Franchisee with copies of Franchisor's specifications for the design and layout of the Restaurant operated under this Agreement and required fixtures, equipment, furnishings, decor, trade dress and signs. Franchisee shall at its sole cost and expense promptly cause the Premises and Restaurant operated under this Agreement to be constructed, equipped and improved in accordance with such standards and specifications, unless Franchisor shall, in writing, agree to modifications thereof. Franchisee shall employ architects and general contractors of its own selection, approved by Franchisor, and at its sole cost and expense, to prepare such architectural, engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate, and/or equip the Restaurant and Premises. All such plans, and modifications and revisions thereto shall be submitted to Franchisor for its prior review and acceptance or rejection before Franchisee's commencement of construction. Franchisee must begin construction within 60 days after the Effective Date, unless Franchisor agrees otherwise in writing. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts such design criteria, the design criteria shall be deemed rejected.

5.4.2 Franchisee must retain the services of a construction project manager (the **Project Manager**) which Franchisor approves to oversee the construction, or to construct, the Restaurant. The Project Manager may (i) act as a project manager and oversee the design and construction process, or (ii) act as Franchisee's general contractor, and design and construct the Restaurant. Franchisee is solely responsible for the costs charged by the Project Manager in

the amounts agreed upon directly between Franchisee and the Project Manager. After Franchisee signs a lease or purchase contract for the Franchised Location, and prior to commencement of the construction of the Restaurant, Franchisee must promptly submit to Franchisor, the Project Manager, the landlord (if Franchisee is leasing the site of the Franchised Location) and local authorities, all requisite drawings, designs, plans and specifications for approval and Franchisee must obtain all required permits and certifications, including those that satisfy all zoning, building, access, sign, fire and health requirements.

5.4.3 Franchisor has the right, but not the obligation, to perform two (2) inspections of the La Salsa® Restaurant during construction and one (1) final inspection of the La Salsa® Restaurant upon completion of construction to ensure that the La Salsa® Restaurant has been built in accordance with the drawings and specifications approved by Franchisor. At all times prior to Franchisee commencing the operation of the Restaurant, Franchisor shall have the right to inspect and examine the Premises and any fixtures, signs, furnishings and equipment to ensure compliance with Franchisor's standards and specifications. To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, Franchisee may not open the La Salsa® Restaurant for business until Franchisee has received written authorization to open from Franchisor, which authorization may be conditional and subject to Franchisor's satisfactory inspection of the Restaurant.

5.4.4 Franchisee may from time to time request additional information regarding the design and construction of the La Salsa® Restaurant, which, if in the possession of Franchisor, shall be provided at no expense to Franchisee. Upon request, Franchisor shall provide additional site visits, project management, design work and equipment purchasing services to Franchisee at Franchisee's sole cost.

5.4.5 Subject only to Force Majeure (provided that Franchisee continuously complies with Section 5.4.6), Franchisee shall complete construction or renovation, as the case may be, of the Premises, the Restaurant and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible, but in any event within six (6) months after commencement of construction. The operation of the Restaurant by Franchisee shall commence no later than twelve (12) months following the Effective Date.

5.4.6 The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery and equipment as referred to in this Section 5.4 are of the essence of this Agreement. If Franchisee fails to perform its obligations contained in this Section, Franchisor may deem Franchisee's failure to so perform its obligations to constitute a material default of this Agreement.

5.4.7 In the event of the occurrence of an event which Franchisee claims to constitute Force Majeure, Franchisee shall provide written notice to Franchisor in writing within five (5) days following commencement of the alleged Force Majeure, which notice shall include the words 'Force Majeure' and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Franchisee's performance under this Agreement. Franchisee shall provide Franchisor with continuous updates (no less frequently than once each week) on Franchisee's progress and diligence in responding to and overcoming the Force Majeure, and shall notify Franchisor immediately upon cessation of such Force Majeure, and provide all other information as may be requested by Franchisor. If Franchisee shall fail to notify Franchisor of any alleged Force Majeure within said five (5) days, or shall fail to provide any such updates during the continuance of the alleged Force Majeure, Franchisee shall be deemed to have waived the right to claim such Force Majeure.

5.4.8 Franchisor's acceptance of Franchisee's plans and specifications for the Franchised Location, Franchisor's guidance with the development of the Franchised Location, and Franchisor's authorization to open the Restaurant are to assure that Franchisee complies with Franchisor's standards and specifications, and shall not be construed as any express or implied representation or warranty that the Franchised Location complies with any applicable laws, codes or regulations or that the construction is sound or free from defects. Franchisor's criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations. Franchisor will have no liability with respect to construction of the Franchised Location, nor shall Franchisor be responsible in any way for

delays or losses occurring during the design, construction or other preparation of the Restaurant, whether caused by the condition of the Franchised Location, the design, engineering, construction, equipping, decorating, or stocking of the Restaurant, or any other reason Franchisee expressly acknowledges and agrees that Franchisor does not, directly or indirectly, warrant or ensure that the design, decor, appearance, fixtures layout, and/or other improvements of the Restaurant will guarantee Franchisee's success

5.5 Maintaining and Remodeling of Restaurant

To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same

5.5.1 Franchisee shall operate the Restaurant in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Restaurant consistent with the policies of Franchisor. Franchisee shall maintain the condition and appearance of the Restaurant in a "like new" level of cosmetic appearance consistent with the image of La Salsa® Restaurants as attractive, clean, and efficiently operated, offering high quality food products and beverages, efficient and courteous service and pleasant ambiance. If at any time in Franchisor's reasonable judgment, the state of repair, appearance or cleanliness of Franchisee's Premises (including the Restaurant and the non-Restaurant portion of Franchisee's Premises, and parking areas) or its fixtures, equipment, furnishings, signs or utensils fail to meet Franchisor's standards therefor, or Franchisee shall immediately upon receipt of notice from Franchisor specifying the action to be taken by Franchisee (within the time period specified by Franchisor), correct such deficiency, repair and refurbish the Restaurant or Premises, and make such modifications and additions to its layout, decor and general theme, as may be required, including replacement of worn out or obsolete fixtures, equipment, furniture, signs and utensils, and repair and repainting of the interior and exterior of the Restaurant, the Premises and appurtenant parking areas (if any). Such maintenance shall not be deemed to constitute remodeling, as set forth below.

5.5.2 In addition to Franchisee's obligations under Section 5.5.1, from time to time during the Term, but not more frequently than once every five (5) years or as a condition to Franchisee's exercising its Renewal Right, Franchisor may require Franchisee at Franchisee's sole cost and expense to refurbish, remodel and improve the Restaurant to conform Franchisee's building design, trade dress, color schemes, and presentation of Marks to Franchisor's then current public image. Such a remodeling may include extensive structural changes to the Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes as the Franchisor may direct, and Franchisee shall undertake such a program promptly upon notice from the Franchisor, and shall complete any such remodeling as expeditiously as possible, but in any event within ninety (90) days of commencing same (and no later than the commencement of the Renewal Term). Franchisor may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, Franchisee's obligation to remodel the Restaurant, if Franchisor determines in its reasonable judgment that the Restaurant is, on the date scheduled for commencement of such remodel, in substantial conformity with Franchisor's Then-Current standard system decor specifications, or if the proposed remodeling is within the last two (2) years prior to the expiration of the Term (subject to Franchisor's right to require remodeling, renovation or modernization as a condition to Franchisee's exercise of its Renewal Right).

5.5.3 If the Restaurant is damaged or destroyed by fire or any other casualty, Franchisee, within thirty (30) days thereof, shall initiate such repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) such repairs or reconstruction, in order to restore the premises of the Restaurant to its

original condition prior to such casualty, any such repair and reconstruction shall be completed as soon as reasonably practicable but in any event within six (6) months following the event causing the damage or destruction. If in Franchisor's reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for Franchisee to repair or reconstruct the Franchised Location and the Restaurant operated under this Agreement in conformance with the then standard LA SALSA® decor specifications, Franchisor may require that Franchisee repair or reconstruct the Premises and Restaurant operated under this Agreement in conformance with the then standard System decor specifications.

ARTICLE 6 TRAINING

6.1 Initial Training Program

6.1.1 Franchisor shall provide an Initial Training Program in the System and methods of operation (the **Initial Training Program**) at Franchisor's training facilities in Franchisor's corporate office currently located in Southern California or Restaurants designated by Franchisor, for up to two (2) supervisory or managerial personnel of Franchisee selected by Franchisee who shall be the Operating Principal, Director of Operations, and/or Restaurant Manager of the Restaurant to be developed under this Agreement. Portions of the Initial Training Program may be held at the Franchised Location. Franchisee shall attend and complete to Franchisor's satisfaction the Initial Training Program. If the Restaurant shall be the first La Salsa® Restaurant to be operated by Franchisee, Franchisor shall provide such training, instructors, a training manual, and other materials for up to two (2) supervisory or managerial personnel of Franchisee selected by Franchisee for an Initial Training Fee of \$10,000 in accordance with the terms of Franchisor's current Initial Training Agreement (**Initial Training Agreement**). If Franchisee is an Entity, Franchisor may require the Restaurant Manager to be an Owner, officer or other designated representative selected by Franchisee and acceptable to, and approved by Franchisor. The Initial Training Program shall consist of approximately six (6) weeks to eight (8) weeks of training prior to the opening of the Restaurant to be developed and operated under this Agreement and must be completed before that Restaurant opens to the public. Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's supervisory and managerial employees who attend training programs. Franchisee may not open its Restaurant until such training shall have been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor.

6.1.2 Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the training course will be structured to provide practical training in the implementation and operation of a Restaurant and may include such topics as on-site food preparation, portion control, preparation and cooking procedures, packaging procedures, La Salsa® standards, marketing and customer service techniques, reports and equipment maintenance.

6.1.3 The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee or an owner of either, owns or operates a Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement.

6.1.4 Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Restaurant, its judgment as to whether or not Franchisee or Franchisee's supervisory or managerial personnel have satisfactorily completed such training shall be determined by Franchisor in Franchisor's judgment.

6.1.5 If Franchisee (i) fails to complete the Initial Training Program within six (6) months after the parties' execution of the Initial Training Agreement, (ii) does not complete the Initial Training Program to Franchisor's satisfaction, (iii) does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement, or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, this

Agreement shall automatically terminate and be of no further force or effect. Under these circumstances, Franchisor shall retain a portion of the Initial Franchise Fee as set forth in Franchisor's Disclosure Document and refund the balance to Franchisee within thirty (30) days. Franchisor and Franchisee acknowledge and agree that the actual damages to be suffered by Franchisor in the circumstances described in this Section 6.1.5 are difficult, if not impossible to determine and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and the portion of the Initial Franchise Fee retained by Franchisor is a reasonable, good-faith estimate of such damages.

6.1.6 Payment by Franchisor and acceptance by Franchisee of a refund of any portion of the Initial Franchise Fee as set forth in Section 6.1.5 above shall constitute a release of any and all claims which each may have against the other (including the respective partners, shareholders, directors, agents, or employees thereof) arising out of or in connection with the Initial Training Program and Franchisee's efforts to purchase a license to operate a Restaurant. As a condition to the payment of any refund, Franchisee, the Operating Principal, Director of Operations, Restaurant Manager and each Restricted Person shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims which such parties may have or believe to have against Franchisor and/or its affiliated Entities and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Initial Training Program, the Initial Franchise Fee and Franchisor's decision to not permit Franchisee to purchase a license to operate a Restaurant which arose on or before the date of the mutual general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

6.2 Additional Training

6.2.1 All newly hired and replacement supervisory or managerial personnel of Franchisee, including the Operating Principal(s), Director(s) of Operations, and Restaurant Manager(s), of the Restaurant shall be subject to Franchisor's reasonable approval and shall successfully complete, to Franchisor's satisfaction, the Initial Training Program conducted by Franchisor. Notwithstanding the first sentence of this Section, the Restaurant Managers of Franchisee shall have a skill level, training and experience commensurate with the demands of the position, and in keeping with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. A fully trained Restaurant Manager or assistant manager shall, to Franchisor's satisfaction, train each of Franchisee's regular employees prior to the first opening of the La Salsa® Restaurant to the public and at all times thereafter during the Term. At all times during the Term, Franchisee shall employ an adequate staff of employees working at the Restaurant who shall have been fully and adequately trained by Franchisee or by Franchisee's supervisory or managerial personnel, in Franchisor's judgment.

6.2.2 Franchisee shall pay Franchisor's then current, reasonable charges (as set forth in the Manuals) for any such training performed by Franchisor at Franchisee's request, or which is otherwise required under this Agreement and not covered by Section 6.1.1.

6.2.3 Franchisor may, from time to time, (i) require Franchisee, its Operating Principal, Director of Operations, and all supervisory or managerial personnel, or any of them, to attend additional training courses or programs (**Additional Training**) during the Term, or (ii) make available to Franchisee, its Operating Principal, Director of Operations and each Restaurant Manager, or any of them, optional Additional Training during the Term. Additional Training may be held on a national or regional basis at locations selected by Franchisor to instruct Franchisee with regard to new procedures or programs which Franchisor deems, in its judgment, to be of material importance to the operation of the Restaurant. Such Additional Training may relate, by way of illustration, to product production techniques, new recipes, marketing, bookkeeping, accounting and general operating procedures, and the establishment, development and improvement of computer systems. Franchisor may establish charges applicable to all franchisees similarly situated for such optional training courses. The time and place of such training courses shall be at Franchisor's discretion. In addition to any charge Franchisor may establish, Franchisee shall pay all transportation

costs, food, lodging and similar costs incurred in connection with attendance at such courses Franchisor shall pay no compensation for any services performed by trainee(s) in connection with the Additional Training

6 2 4 Franchisee, its Operating Principal, Director of Operations, and all supervisory and managerial personnel, shall successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification Franchisor may, in its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate Franchisee shall be responsible for all fees and material costs associated with a certification program

6 3 Opening Assistance

6 3 1 Franchisee shall notify Franchisor of the scheduled date on which all construction or remodeling of the Restaurant shall have been completed in accordance with Franchisor's specifications and all Permits necessary to open to the public shall have been obtained and Franchisee has fully prepared the Restaurant for turn-over to pre-opening training in accordance with Franchisor's policies and specifications (the **Scheduled Completion Date**) no later than thirty (30) days prior to the Scheduled Completion Date

6 3 2 (a) If neither Franchisee nor any of its Affiliates own or operate a Restaurant as of the Effective Date, Franchisor shall furnish, at no cost to Franchisee, an opening assistance team experienced in the System (the **Opening Assistance Team**) to assist Franchisee in accordance with the following

(i) If the Restaurant operated under this Agreement is the first Restaurant owned or operated by Franchisee or its Affiliates, then Franchisor shall provide an Opening Assistance Term of two (2) persons to assist Franchisee for one (1) week before Franchisee opens the Restaurant and one (1) week after Franchisee opens the Restaurant

(ii) The Opening Assistance Team shall serve only as consultants to Franchisee and shall in no way be responsible (personally or on behalf of Franchisor) for the operation of the Restaurant or the actions of Franchisee's officers, agents or employees during this time Each member of the Opening Assistance Team shall receive one (1) day off for each seven (7) day period that Franchisor is required provide the opening assistance under Section 6 3 2(a)

(b) If this Agreement pertains to the second or subsequent Restaurant that Franchisee or any of its Affiliates owns or operates, then Franchisor shall not be obligated to provide the opening assistance described in Section 6 3 2(a)

6 3 3 If Franchisor provides any operational assistance in excess of the foregoing, Franchisee shall pay a compensation rate specified by Franchisor and out-of-pocket expenses including transportation, lodging, and food, of any agent or employee of Franchisor who works at the Restaurant and performs services that would otherwise be performed by an employee of Franchisee

6 4 Other Assistance

6 4 1 Franchisee shall have the right, at no additional charge, to inquire of Franchisor's headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Restaurant, by telephone, electronic mail facsimile, or other means of correspondence, and Franchisor shall use its best efforts to diligently respond to such inquiries, in order to assist Franchisee in the operation of the Restaurant. However, Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the System with which Franchisee must comply under this

Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Restaurant consistent with the policies of Franchisor. Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, (ii) the individuals to whom Franchisee will offer and sell its products and services, and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Restaurant for which Franchisor has not established approved Suppliers. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee or to defer Franchisee's obligation to pay any sums to Franchisor.

6.4.2 At Franchisee's request, Franchisor may, but shall not be obligated to (a) cause its field representatives to visit the Restaurant to advise, consult with or train Franchisee or Franchisee's supervisory or managerial personnel, or to observe the Restaurant, its operation and performance and compliance by Franchisee with the Manuals, or (b) permit Franchisee or certain of Franchisee's supervisory or managerial personnel to provide assistance, consultation, or additional training at a Restaurant selected by Franchisor. If Franchisor provides such additional assistance, consultation or training to Franchisee or to Franchisee's supervisory or managerial personnel, then such assistance, consultation or training will be subject to Franchisor's capacity, scheduling, and discretion, but Franchisor shall not be obligated to provide that assistance, consultation or training, and (x) Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's supervisory or managerial personnel in connection with such additional assistance, consultation, or training, (y) Franchisor shall not pay any compensation to Franchisee or Franchisee's supervisory or managerial personnel for providing services at Franchisor's or another Franchisee's Restaurant in connection with the assistance, consultation or training, and (z) Franchisee shall pay such training charges as may be then in effect, and shall reimburse Franchisor for all transportation costs, food, lodging and similar costs incurred by Franchisor and Franchisor's personnel in connection with such training.

6.4.3 In the event of any sale transfer, or Assignment, the transferee/assignee must be trained by Franchisor as a condition of Franchisor's consent to such transfer. All tuition costs for such training shall be included in the Administrative/Transfer Fee payable by Franchisee in accordance with Section 13.2.3(m). The Restaurant shall not be transferred, opened, or re-opened by the transferee until Franchisor accepts the transferee in writing as being certified to operate the Restaurant and Franchisor has otherwise consented to the transfer in accordance with this Agreement.

6.5 **Remedial Training** If Franchisor determines it to be necessary, Franchisor may provide Franchisee and Franchisee's supervisory or managerial personnel with remedial training or assistance subject to the availability of Franchisor's personnel. Franchisee shall pay Franchisor any fee which may be charged by Franchisor to Franchisee and other franchisees to defray the direct costs of providing this remedial training. In addition, Franchisee shall be responsible for any and all other expenses incurred in connection with sending Franchisee's supervisory or managerial personnel to such remedial training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. Franchisor shall, in Franchisor's sole discretion, select the time and location of all remedial training.

ARTICLE 7 MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

7.1 **Good Standing** Franchisee shall at all times maintain its status as a La Salsa® Franchisee in Good Standing.

7 2 Operating Principal, Director of Operations, Supervisorial and Managerial Employees

7 2 1 The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business, operational and other ongoing matters concerning this Agreement and the Restaurant. The Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing, administering or amending this Agreement. Franchisor may, but is not required to, deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal, who shall have been accepted by Franchisor.

7 2 2 At all times throughout the Term, Franchisee shall employ and retain, an individual (the **Director of Operations**) who shall be vested with the authority and responsibility for the day-to-day operations of the Restaurant and all other Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates within a geographic area specified by Franchisor. The Director of Operations shall, during the entire period he or she serves as such, meet the following qualifications: (a) shall devote full time and best efforts solely to operation of all Restaurants owned or operated, directly or indirectly, by Franchisee or its Affiliates in such geographic area and to no other business activities; (b) meet Franchisor's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manuals or otherwise in writing by Franchisor; and (c) be an individual acceptable to Franchisor. The Director of Operations, may (but need not) be an Owner, and with the prior written consent of Franchisor, may be the same individual as the Operating Principal. The Director of Operations shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Franchisee in such geographic area are operated in compliance with this Agreement and the Manuals. If, during the Term, the Director of Operations is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person), Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Director of Operations ceases to serve, such replacement being subject to Franchisor's approval.

7 2 3 Franchisee shall notify Franchisor in writing at least ten (10) days prior to employing the Director of Operations setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Operating Principal and Director of Operations, shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Franchisee or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

7 2 4 Franchisee shall ensure that the operation of the La Salsa® Restaurant is at all times under the direct control of a Restaurant Manager or assistant manager fully trained by Franchisor in accordance with Sections 6 1 or 6 2. Each Restaurant Manager and assistant manager shall be solely dedicated to operation of the La Salsa® Restaurant to which the person is assigned.

7 3 POS System, Computer

7 3 1 POS System

(a) Franchisee shall purchase, use and maintain the computerized Point of Sale cash collection system (including all related hardware and software) as specified in the Manuals or otherwise by Franchisor in writing for use in connection with the Restaurant (the **POS System**). The POS System must be connected to the Internet through a dedicated broadband Internet connection (DSL, Cable, Satellite, T1, etc) with a minimum of one static IP address (or other communications medium specified by Franchisor) at all times and be capable of accessing the Internet via an Internet Service Provider (**ISP**) (such as AT&T, Verizon, Cox, etc) for the purpose of implementing software, transmitting and receiving data, accessing the Internet for ordering and maintaining the POS System. Franchisee must have and maintain a broadband firewall router to protect from hackers. The POS System shall be electronically linked to Franchisor or its designated Affiliate, and Franchisee shall allow Franchisor and/or its

designated Affiliate, to poll the POS System on a daily or other basis at such times and in such manner as established by Franchisor or its designated Affiliate, with or without notice, and to retrieve such transaction information including sales, sales mix, usage and other operations data as Franchisor and/or its designated Affiliate deems appropriate. Within a reasonable time upon Franchisor's request, Franchisee shall apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase Authorized La Salsa® Products via such procedure, as specified by Franchisor, which systems must comply with current Payment Card Industry Data Security Standard (PCI-DSS). Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, and within thirty (30) days of Franchisee's receipt of such notice from Franchisor. Provided Franchisee's POS System is compliant with current PCI-DSS, Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to (i) have broadband Internet connection (DSL, Cable, Satellite, T1, etc) with a minimum of one (1) static IP address at the Restaurant, and (ii) be able to accept and process La Salsa gift cards sold in retail stores and other Restaurant locations.

(b) If Franchisor shall designate certain computer software used in the operation of the POS System and/or Computer System which is owned or licensed by Franchisor (**Proprietary Software**), Franchisee shall at Franchisor's request license or sublicense such software from Franchisor or its designee and enter into a software (sub)license agreement on Franchisor's or such designee's Then-Current form. From time to time, Franchisee shall purchase any upgrades, enhancements or replacements to the Proprietary Software. Franchisor shall provide to Franchisee, for a reasonable fee, such support services relating to the Proprietary Software as Franchisor deems advisable. Franchisee must incorporate any required modifications or additions to the POS System or Proprietary Software as required by Franchisor pursuant to this Section 7.3.1 within thirty (30) days after receiving written notice from Franchisor, unless a longer time period is stated in the notice.

(c) Within a reasonable time upon Franchisor's request, Franchisee shall apply for, implement, and maintain **smart cards** or other similar customer loyalty system existing or developed in the future to enable, among other things, Franchisor and Franchisee to track customer purchases and reward such customers for their purchases.

7.3.2 **Computer** Upon not less than sixty (60) days prior written notice from Franchisor, Franchisee shall purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by Franchisor in writing for use in connection with the Restaurant (the **Computer System**). Franchisor shall designate certain computer software used in the operation of Restaurant. Franchisor requires Franchisee to maintain an e-mail account and a dedicated broadband Internet connection (DSL, Cable, Satellite, T1, etc) at all times and be capable of accessing the internet via an ISP (such as AT&T, Verizon, Cox, etc). Franchisee shall obtain all software and hardware, including digital still and video cameras, as Franchisor may specify to enable Franchisee to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Franchised Location, and Franchisee shall from time to time, upon Franchisor's request transmit digital photos and real time video and audio signals of the Franchised Location to and in the form and manner prescribed by, Franchisor. Franchisee shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as Franchisor may from time to time require. Upon request, Franchisee shall permit Franchisor to access the Computer System and the files stored therein via any means specified, including electronic polling communications. We may require you to apply for and maintain debit cards, credit cards or other non-cash systems currently existing or to be developed in the future to enable your customers to purchase products using these procedures.

7.4 **Manuals** Franchisee shall participate in the System and operate the Restaurant in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor and incorporated in Franchisor's Manual(s).

7 4 1 The subject matter of the Manuals may include, without limitation, matters such as forms, information relating to product and menu specifications, purchase orders, general operations, labor management, Gross Sales reports, training and accounting sanitation, design specifications and uniforms, display of signs and notices, authorized and required equipment and fixtures, including specifications therefor, Mark usage, insurance requirements, lease requirements, ownership requirements, decor, standards for management and personnel, hours of operation, yellow page and local advertising formats, standards of maintenance and appearance of the Restaurant procedures upon the occurrence of a Crisis Management Event, and required posting of notices to customers as to how to contact Franchisor to submit complaints, and such other matters and policies as Franchisor may reasonably elect to include which relate to the System or the franchise relationship under the System. In the event of the occurrence of a Crisis Management Event, Franchisor may also establish emergency procedures pursuant to which Franchisor may require Franchisee to, among other things temporarily close the Restaurant to the public, in which event Franchisor shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby. In the event of any dispute as to the contents of the Manuals, the terms and contents of the master copy maintained by Franchisor shall be controlling.

7 4 2 Franchisor shall have the right to modify the Manuals at any time and from time to time, provided, that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. Modifications in the Manuals shall become effective upon delivery of written notice thereof to Franchisee unless a longer period is specified in such written notice. The Manuals, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules to this Agreement, to the Manuals shall be deemed to mean the Manuals kept current by amendments from time to time.

7 4 3 Upon the execution of this Agreement, Franchisor shall furnish to Franchisee one copy of the Manuals, unless Franchisee purchased the Restaurant from an existing franchisee or Franchisee has entered into this Agreement as a Renewal Franchise Agreement. The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Franchisee for the term of this Agreement, and must be returned to Franchisor immediately upon this Agreement's termination or expiration. The Manuals are highly confidential documents which contain certain Trade Secrets of Franchisor. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Manuals without Franchisor's express prior written consent. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Manuals to Franchisor.

7 5 **Hours** Subject to Applicable Law or subsequent written agreement between Franchisor and Franchisee to the contrary, Franchisor and Franchisee agree that Restaurant shall be open and operational at least ten (10) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales.

7 6 **Product Line and Service** To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, Franchisee shall advertise, sell and serve all and only Authorized La Salsa® Products at or from the Restaurant. All Authorized La Salsa® Products shall be sold and distributed under the specific name designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's recipes and specifications. Franchisee shall not remove any Authorized La Salsa® Product from Franchisee's menu without Franchisor's express written approval. Except as specifically authorized by Franchisor, Franchisee shall not sell any Authorized La Salsa® Products outside of the La Salsa® Restaurant or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for La Salsa® products and services and Franchisee shall comply with, and be bound by, any prices which may be recommended, suggested or advertised by Franchisor.

7 7 **Containers, Fixtures and Other Goods** To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, all food and drink items served from the Restaurant shall be served in packaging and containers bearing accurate reproductions of Franchisor's Marks as may be required by Franchisor. All containers, napkins, bags, cups, matches, menus and other packaging and like articles used in connection with Restaurant shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a distributor or manufacturer approved in writing by Franchisor, as provided in Article 9, which approval will not be unreasonably withheld. No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils shall be used in or upon any Restaurant unless the same shall have been first submitted to and approved in writing by Franchisor.

7 8 **Menus**

7 8 1 The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region, market size and other factors. Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or Restaurants within regions.

7 8 2 Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized La Salsa® Products to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any such change. Franchisee shall cease selling any previously approved product within thirty (30) days after receipt of notice that the product is no longer approved.

7 8 3 All food products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications and preparation of such food products shall comply with the instructions and recipes and other requirements communicated by Franchisor or contained in Franchisor's Manuals from time to time.

7 9 **Compliance with Applicable Law** Franchisee shall operate the Restaurant as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of its Franchised Location or Premises to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from the applicable state or local department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7 10 **Notification of Legal Proceedings, and Crisis Management Events**

7 10 1 Franchisee shall notify Franchisor in writing within ten (10) days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other Governmental Authority that pertains to the La Salsa® Restaurant or that may adversely affect Franchisee's operation of the La Salsa® Restaurant or ability to meet its obligations under this Agreement.

7 10 2 Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

7 11 **Signs** Franchisee shall maintain approved signs and/or awnings at, on or near the front of the Premises, identifying the Franchised Location as a La Salsa® Restaurant, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law. On receipt of notice by Franchisor of a requirement to alter any existing sign on its premises, Franchisee will at its cost make the required changes within sixty (60) days, subject to the approval of the lessor if required by Franchisee's Lease.

7 12 **Uniforms and Employee Appearance** Franchisee shall cause all employees, while working in the Restaurant, to (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have ninety (90) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. Unless Franchisor otherwise consents in writing, Franchisee's employees working in the La Salsa® Restaurant shall be dedicated solely to the La Salsa® Restaurant and shall not work at any other business owned or operated by Franchisee. In no case shall any employee of Franchisee wear his or her La Salsa® uniform while working for Franchisee at any location other than the La Salsa® Restaurant.

7 13 **Vending or Other Machines** Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location.

7 14 **Co-Branding** Franchisee may not engage in any co-branding in or in connection with the Restaurant except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within La Salsa® Restaurants. **Co-branding** includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Premises or is adjacent to Franchisee's Premises and operated in a manner which is likely to cause the public to perceive it to be related to the Restaurant licensed and franchised under this Agreement. An example would be an independent ice cream store or counter installed within Franchisee's Premises.

7 15 **Intranet**

7 15 1 Franchisor may, at its option, establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Manuals, updates thereto and other confidential information. Franchisor shall have discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

7 15 2 If Franchisor establishes an Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage Default of any franchisee's franchise agreement, or other agreement with Franchisor or its Affiliates, (c) confidential treatment of materials that Franchisor transmits via the Intranet, (d) password protocols and other security precautions, (e) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet, and (f) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that as administrator of the Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all

communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert

7.15.3 Upon receipt of notice from Franchisor that Franchisor has established the Intranet, Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications

7.15.4 At Franchisor's request, Franchisee shall contribute a reasonable amount, not to exceed \$1,000 per year, toward the cost of the Intranet's maintenance. Such contribution shall be established by Franchisor by not later than January 31 of each applicable year and shall be payable thirty (30) days thereafter.

7.15.5 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliate, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals.

7.16 **Improvements** If Franchisee develops any new concept, process or improvement in the System (an "Improvement"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property right related to any such Improvement. If the foregoing provisions of this Section 7.16 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

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

7.18 **Adequate Reserves and Working Capital** Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the franchised business for at least three (3) months.

7.19 **Franchisee Employee Policies** After the Restaurant has opened to the public, Franchisee shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that Franchisee's employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be employees of Franchisor or subject to Franchisor's direct or indirect

control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions related to the Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not, and Franchisee shall not request from Franchisor or expect to receive from Franchisor, and Franchisor shall not provide Franchisee, with any advice on these subjects. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall indemnify, defend, reimburse and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

7.20 **Credit Cards** Franchisee shall honor all credit charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with Franchisee's operation of the Restaurant, Franchisee shall maintain the security of cardholder data and adhere to the Then-Current PCI-DSS, currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI-DSS requirements by Franchisee and all identified subcontractors.

ARTICLE 8 ADVERTISING AND CO-OPS

To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same

8.1 **Local Advertising and Promotion** Franchisee shall spend an amount equal to no less than two percent (2%) of its Gross Sales each calendar quarter on local advertising and promotion of the Restaurant (**Local Advertising Expenditure**). Franchisor may, upon thirty (30) days' notice, adjust the amount of the Local Advertising Expenditure, up to an amount not to exceed three percent (3%) of Gross Sales. Franchisee shall conduct all local advertising and promotion in accordance with such policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any advertising material or in any way use or display any of the Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Unless Franchisor shall give its express written consent, Franchisee shall not use the Local Advertising Expenditure for market wide research, seminars, entertainment, fees paid to consultants not approved by Franchisor, incentive programs, charitable contributions, press parties, or specialty items (unless part of a market-wide program approved by Franchisor and the cost of the same is not recovered by promotion).

8 2 **Co-Op Advertising** Franchisor may from time to time establish regions for co-operative advertising (' **Co-Op Advertising Regions** '), to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local and/or regional advertising media

8 2 1 If and when Franchisor creates a Co-Op Advertising Region for the region in which the Restaurant operated under this Agreement is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Restaurant in such Co Op Advertising Region then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member thereof and shall execute and participate in accordance with the Subscription Agreement and the Certificate of Incorporation and Bylaws of such Co Op Advertising Region on the forms prescribed by Franchisor. The size and content of such regions, when and if established by Franchisor, shall be binding upon Franchisee, and all other similarly situated La Salsa® Franchisees and Franchisor or such Affiliate of Franchisor, if it operates Restaurant(s) in the region. At all meetings of such Co-Op Advertising Region each participating Franchisee, as well as Franchisor (or such Affiliate), if applicable shall be entitled to one vote for each Restaurant located within such Co-Op Advertising Region or such other vote as may reasonably be determined by Franchisor.

8 2 2 Franchisee and other members of the Co-Op Advertising Region, whose agreements require their participation, will contribute to the Co-Op Advertising Region such amount as may be determined by vote of the Co-Op Advertising Region (not to exceed one and one-half percent (1 5%) of the Gross Sales of each member's Restaurant(s) located in the region, subject to Franchisor's written approval. Franchisee's contribution to the Co-Op Advertising Region), shall be credited towards the satisfaction of the Local Advertising Expenditure as required in Section 8 1.

8 2 3 Subject to Section 8 2 1, each Co-Op Advertising Region will decide as to the usage of funds available to it for media time, production of media materials, whether for radio, television, newspapers or Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use, and then such Co-Op Advertising Region shall in writing request approval from Franchisor to use said funds in said manner. Franchisor shall not withhold approval unreasonably, but no placement of advertising or commitment of advertising funds on behalf of a Co-Op Advertising Region will be made without Franchisor's prior written approval. Franchisor reserves the right to establish general standards concerning the operation of the Co-Op Advertising Region, advertising agencies retained by Co-Op Advertising Region, and advertising programs conducted by Co-Op Advertising Region. Any disputes (other than pricing) arising among or between Franchisee, other franchisees, and/or the Co-Op Advertising Region may be resolved by Franchisor whose decision shall be final and binding on all parties.

8 3 **Marketing Development Fund**

8 3 1 In accordance with Section 4 3, Franchisee's Advertising Fee shall be applied to the **Marketing Development Fund**. An amount equal to all Marketing Development Fund revenues and allocations will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Franchisor-owned (including company-owned) La Salsa® Restaurants. Such expenditures may include, without limitation, (a) to conduct marketing studies, and to produce and purchase advertising art, commercials, musical jingles, internet websites, Intranet, print advertisements, point of sale materials, media advertising, outdoor advertising art, decals, and direct mail pamphlets and literature and (b) a payment to Franchisor or its Affiliates, for internal expenses incurred in connection with the operation of its marketing/advertising department(s), if any, and the administration of the Marketing Development Fund. The Marketing Development Fund may, among other things, pay for such activities conducted for the benefit of co branding, or other arrangements where La Salsa® products and/or services are offered in conjunction with other marks or through alternative channels of distribution. Franchisor may employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by, operated by or affiliated with Franchisor, to provide services for the Marketing Development Fund. The Marketing Development Fund may be used to defray direct expenses of Franchisor employees related to the operation of the Marketing Development Fund, to pay for attorney's

fees and other costs related to the defense of claims against the Marketing Development Fund or against Franchisor relating to the Marketing Development Fund, and to pay costs with respect to collecting amounts due to the Marketing Development Fund. Franchisor shall determine, in its discretion, the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Franchisee acknowledges that not all franchisees are or shall be required to contribute, or contribute the same percentage of Gross Sales, to the Marketing Development Fund. Nothing in this Agreement shall be construed to require Franchisor to allocate or expend Marketing Development Fund contributions or allocations so as to benefit any particular franchisee, Franchisee or group of franchisees or franchisees on a pro rata or proportional basis or otherwise. Franchisor may make copies of advertising materials available to Franchisee with or without additional reasonable charge, as determined by Franchisor. Any additional advertising shall be at the sole cost and expense of Franchisee. The Marketing Development Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Marketing Development Fund's direct cost of producing such items, plus shipping and handling. Franchisor (or its Affiliate) may collect rebates and credits from Suppliers based on purchases or sales by Franchisee and, at Franchisor's discretion, may either refund such amounts to Franchisee, contribute such amounts to the Marketing Development Fund, retain such amounts for Franchisor's or such Affiliate's use in promoting the Marks, or, as provided in Section 9.2, use the same for a variety of other purposes, including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general and administrative expenses, in Franchisor's discretion, notwithstanding any designation by the Supplier or otherwise. Any such contribution of such rebates or credits to the Marketing Development Fund shall not reduce Franchisee's obligation to pay the Advertising Fee.

8.3.2 Franchisor shall administratively segregate on its books and records all Advertising Fees received from Franchisee and all other franchisees of Franchisor. Nothing in this Agreement shall be deemed to create a trust fund, and Franchisor may commingle advertising fees with its general operating funds and expend such sums in the manner provided in this Agreement. For each Restaurant that Franchisor or any of its Affiliate operates, Franchisor or such Affiliate will similarly allocate to the Marketing Development Fund the amount that would be required to be contributed to the Marketing Development Fund if it were a licensed Restaurant.

8.3.3 If less than the total of all contributions and allocations to the Marketing Development Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Development Fund in that year and may cause the Marketing Development Fund to borrow funds to cover deficits or invest surplus funds. If Franchisor (or an Affiliate) advances money to the Marketing Development Fund, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Marketing Development Fund may be retained by Franchisor for its own use in its discretion.

8.4 **Telephone Numbers and Directory Advertising** In addition to the Advertising Fees and Franchisee's required expenditures for Co-Op Advertising, Franchisee shall, at its sole expense, subscribe for and maintain throughout the Term, one or more listed telephone numbers which shall be listed in the white pages and under such headings in the yellow pages of such telephone directory or directories as Franchisor may reasonably designate or approve which service Franchisee's trade area and adjacent or nearby areas. Franchisor reserves the right to establish general standards concerning directory and other types of advertising.

8.5 **Promotional Campaigns** From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee and each Co-Op Advertising Region agree to participate in such promotional campaigns upon such terms and conditions as Franchisor may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Marketing Development Fund).

8 6 Internet

8 6 1 Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e mail address, website, domain name, bulletin board, newsgroup or other Internet related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time

8 6 2 Franchisor has established one or more Internet web sites. Franchisor shall have discretion over the design, content and functionality of such web sites. Franchisor may, from time to time, include one (1) or more interior pages that identifies restaurants operated under the Marks, including the Restaurant, by among other things, geographic region, address, telephone number(s) and menu items. Franchisor may permit Franchisee to customize or post certain information to the an interior page, subject to Franchisee's execution of Franchisor's Then-Current participation agreement, as in effect from time to time, and Franchisee's compliance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisor may disable or terminate such website(s) without Franchisor having any liability to Franchisee.

8 6 3 Franchisee acknowledges and agrees that Franchisor, or its Affiliate, is the owner of, and will retain all right, title and interest in and to (i) the domain name lasalsa.com, (ii) the URL www.lasalsa.com, (iii) all existing and future domain names, URLs, future addresses and sub addresses using the Marks in any manner, (iv) all computer programs and computer code (e.g., HTML, XML, DHTML, Java) used for or on Franchisor's web site(s), excluding any software owned by third parties, (v) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with displayed on or collected from or through Franchisor's web site(s), and (vi) all intellectual property rights in or to any of the foregoing. Franchisor's web site(s) may include one or more interior pages that identifies La Salsa® Restaurants operated under the Marks, including the Restaurant developed and operated under this Agreement, by among other things, geographic region, address, telephone number(s) and menu items. Such web site(s) may also include one (1) or more interior pages dedicated to the sale of Franchises by Franchisor and/or relations with the investors of Franchisor, or of Franchisor's Affiliate.

8 7 Electronic Media Franchisee shall not separately register any domain name or any portion of any domain name containing the Marks or participate or market on any website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Marks without prior express written approval from Franchisor. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use effective upon receipt of written notice by Franchisee.

ARTICLE 9 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES AND OTHER PRODUCTS

To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same

9 1 La Salsa® Brand Products At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of La Salsa® Brand Products as are needed to meet reasonably anticipated consumer demand. Franchisee shall purchase La Salsa® Brand Products solely and exclusively from Franchisor or its designees.

9 2 **Proprietary Products** Franchisor may, from time to time throughout the Term, require that Franchisee purchase, use, offer and/or promote, and maintain in stock at the Restaurant (i) in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary salsa products, spice mixes, beverages, food products and other ingredients and raw materials, which are grown, produced or manufactured in accordance with Franchisor's Trade Secrets proprietary recipes, specifications and/or formulas or which Franchisor designates as proprietary, and (ii) certain packaging, POS System(s), computer hardware, software, modems and peripheral equipment or other products, supplies, services and equipment designated by Franchisor as proprietary (the **Proprietary Products**) Franchisee shall purchase Proprietary Products only from Franchisor or its Affiliates (if they sell the same, and at prices established by Franchisor or such Affiliates, which shall be reasonable based upon the costs of such products), or Franchisor's designees. Franchisor shall not be obligated to reveal such Trade Secrets, recipes, specifications and/or formulas of such Proprietary Products to Franchisee, non-designated Suppliers, or any other third parties. Franchisor or its Affiliates may receive rebates and/or allowances from certain Suppliers on purchases of Proprietary Products and **Non-Proprietary Products** made by Franchisee and other La Salsa franchisees. These rebates and/or allowances will generally be based upon a percentage of revenue derived from La Salsa franchisee purchases, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general and administrative expenses. Franchisor may use rebate and allowance funds received from La Salsa Suppliers for any purpose in its sole and absolute discretion.

9 3 **Non-Proprietary Products** Franchisor may designate certain food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS System(s), computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, which Franchisee may or must use and/or offer and sell at the Restaurant (the **Non-Proprietary Products**) Franchisee may, but shall not be obligated to, purchase such Non-Proprietary Products from Franchisor or its Affiliate, if Franchisor or such Affiliate, supply the same. Franchisee may use, offer or sell only such Non-Proprietary Products that Franchisor has expressly authorized, and that are purchased or obtained from Franchisor or a producer, manufacturer, distributor, supplier or service provider (**Supplier**) designated or approved by Franchisor pursuant to Section 9 3 2

9 3 1 Franchisee may purchase authorized Non-Proprietary Products from (i) Franchisor, or its Affiliates if they sell the same authorized Non-Proprietary Products (ii) Suppliers designated by Franchisor, or (iii) Suppliers selected by Franchisee and approved in writing by Franchisor prior to Franchisee making such purchase(s). Each such Supplier designated or approved by Franchisor must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure, and each such Supplier shall have demonstrated to the reasonable satisfaction of Franchisor (a) Supplier's ability to supply a Non-Proprietary Product meeting the specifications of Franchisor, which may include, without limitation, specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness and compliance with governmental standards and regulations, (b) the Supplier's reliability with respect to delivery and the consistent quality of its products or services, and (c) the Supplier's ability to meet such other requirements as determined by Franchisor, in its sole discretion, to be in the best interest of the system.

9 3 2 If Franchisee should desire to procure authorized Non-Proprietary Products from a Supplier other than Franchisor or one (1) previously approved or designated by Franchisor (and not subsequently disapproved), Franchisee shall deliver written notice to Franchisor of its desire to seek approval of such Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Franchisor or required to be provided pursuant to the Manuals, which may include reasonable financial, operational and economic information regarding such Supplier's business and product, and (c) identify the authorized Non-Proprietary Products Franchisee desires to purchase from such Supplier. Franchisor shall, upon request of Franchisee, furnish to Franchisee the general but not manufacturing, specifications for such Non-Proprietary Products if such are not contained in the Manuals. Franchisor may thereupon request that the proposed Supplier furnish Franchisor at no cost to Franchisor,

product samples, specifications and such other information as Franchisor may require. Franchisor, or its representatives, including qualified third parties, shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other LA SALSA® Restaurants.

9.3.3 Franchisor will use its good faith efforts to notify Franchisee of Franchisor's decision within sixty (60) days after Franchisor's receipt of Franchisee's request for approval and other requested information and items in full compliance with this Section 9.3, should Franchisor not deliver to Franchisee, within sixty (60) days after Franchisee has received such notice and all information and other items requested by Franchisor in order to evaluate the proposed Supplier, a written statement of approval with respect to such Supplier, such Supplier shall be deemed disapproved as a Supplier of the authorized Non-Proprietary Products described in such notice. Nothing in this article shall require Franchisor to approve any Supplier, and without limiting Franchisor's right to approve or disapprove a Supplier in its discretion, Franchisee acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Franchisor may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Franchisor and its franchisees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Franchisor may also determine that certain Non-Proprietary Products (e.g., beverages) shall be limited to a designated brand or brands set by Franchisor. Franchisor may revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's criteria. Franchisee agrees that at such times that Franchisor establishes a regional purchasing program for any of the raw materials used in the preparation of Authorized LA SALSA® Products or other Non-Proprietary Products used in the operation of the Restaurant, which may benefit Franchisee by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, Franchisee will participate in such purchasing program in accordance with the terms of such program.

9.3.4 As a further condition of its approval, Franchisor may require a Supplier to agree in writing (i) to provide, from time to time, upon Franchisor's request free samples of any Non-Proprietary Product such Supplier intends to supply to Franchisee, (ii) to faithfully comply with Franchisor's specifications for applicable Non-Proprietary Products sold by such Supplier, (iii) to sell any Non-Proprietary Products bearing Franchisor's Marks only to Franchisees of Franchisor and only pursuant to a trademark license agreement in form prescribed by Franchisor, (iv) to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and (v) to otherwise comply with Franchisor's reasonable requests.

9.3.5 Franchisee, or the proposed Supplier, shall reimburse Franchisor for all of Franchisor's reasonably anticipated costs in reviewing the application of the Supplier to service Franchisee, and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the Suppliers' facilities, equipment and food products and all product testing costs paid by Franchisor to third parties, and Franchisee shall pay Franchisor, in advance, a deposit of \$1,500, before Franchisor inspects the Supplier's facilities.

9.4 Purchases from Franchisor

9.4.1 All goods, products and supplies purchased from Franchisor shall be purchased in accordance with the purchase order format issued from time to time by Franchisor, the current form of which shall be set forth in the Manuals. Franchisor may change the prices, delivery terms and other terms relating to its sale of goods, services, products and supplies (collectively the **Goods and Services**) to Franchisee on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated La Salsa® Franchisees and which shall be reasonably based upon the costs associated with such Goods and Services. Franchisor, in its sole and absolute discretion, may discontinue the sale of any Goods or Services at any time if in Franchisor's judgment its continued sale becomes unfeasible, unprofitable or otherwise undesirable. All product orders by Franchisee shall be subject to

acceptance by Franchisor at Franchisor's designated offices, and Franchisor reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Franchisor, upon written request, financial statements which contain sufficient information to enable Franchisor to determine the credit limits, if any, to be extended to Franchisee. Franchisor, in its sole and absolute discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

9.4.2 Each order placed by Franchisee, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as Franchisor may, from time to time, specify, and each order placed by Franchisee shall be submitted on such form of purchase order as may be prescribed by Franchisor from time to time. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Franchisor, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by Franchisee. No new or additional term(s) or condition(s) contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Franchisor unless such terms or conditions shall have been expressly accepted by Franchisor in writing.

9.4.3 Franchisor shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Franchisor's reasonable control, including such events as labor or material shortages, conditions of supply and demand, import and/or export restrictions or disruptions in Franchisor's supply sources.

9.4.4 Franchisor may act as a Supplier of Goods and Services purchased by Franchisee, and Franchisor may designate itself as the sole Supplier of any such Goods and Services. On the expiration or termination of this Agreement or in the event of any default by Franchisee under this Agreement, Franchisor shall not be obliged to fill or ship any orders then pending or, in the case of termination or non renewal, made any time thereafter by Franchisee, and Franchisor may notify its approved Suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such Suppliers to deliver only such quantity of Proprietary Products as is reasonably necessary to supply Franchisee's needs prior to the expiration or termination date of this Agreement.

9.5 **Test Marketing** Franchisor may, from time to time, authorize Franchisee to test market products and/or services in connection with the operation of the Restaurant. Franchisee shall cooperate with Franchisor in connection with the conduct of such test marketing and shall comply with Franchisor's rules and regulations established from time to time in connection herewith.

9.6 **Customer Reporting, Comment Cards, Coupons and Gift Certificates**

9.6.1 At Franchisor's request, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Franchisor, of Franchisee's customers at the Restaurant, and shall allow such information to be used by Franchisor. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration to any third party. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

9.6.2 Franchisee shall use and display in the Restaurant during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or a Supplier, and maintain in the Restaurant, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs.

9.6.3 Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing.

programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor and shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift certificates and gift cards and other similar programs for the benefit of the System and shall comply with Franchisor's rules and regulations established from time to time in connection herewith

ARTICLE 10

REPORTS, BOOKS AND RECORDS, INSPECTIONS

10 1 **General Reporting** Franchisee shall submit Weekly statistical control forms and such other financial, operational and statistical information as Franchisor may require (i) to assist Franchisee in the operation of the Restaurant in accordance with the System, (ii) to allow Franchisor to monitor Franchisee's Gross Sales, purchases costs and expenses, (iii) to enable Franchisor to develop chain wide statistics which may improve bulk purchasing, (iv) to assist Franchisor in the development of new Authorized La Salsa® Products or the removal of existing unsuccessful Authorized La Salsa® Products, (v) to enable Franchisor to refine existing Authorized La Salsa® Products, (vi) to generally improve chain-wide understanding of the System (collectively the **Information**) Without limiting the generality of the foregoing

10 1 1 Unless otherwise agreed by Franchisor in writing, Franchisee shall also submit condensed reports of daily Gross Sales to Franchisor on a Weekly basis in accordance with the guidelines established by Franchisor Franchisee will electronically link the Restaurant to Franchisor and will allow Franchisor to poll on a daily basis at a time selected by Franchisor the Restaurant computerized POS System to retrieve Information including sales, sales mix usage and operations data

10 1 2 On or before the tenth day following each Accounting Period during the Term, or at such other interval as Franchisor may establish, Franchisee shall submit a Gross Sales report signed by Franchisee, in such form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding Accounting Period, together with such additional financial information as Franchisor may, from time to time, request

10 1 3 On or before the forty-fifth day following each calendar quarter during the Term, Franchisee shall submit to Franchisor financial statements for the preceding quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles which shall be certified by Franchisee to be accurate and complete

10 1 4 Within sixty (60) days following the end of each calendar year, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete Franchisee shall submit to Franchisor a copy of the original signed 1120 or 1120S tax form each and every year or any other forms which take the place of the 1120 or 1120S forms Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate state or local authority Franchisor reserves the right to require such further information concerning the Restaurant as Franchisor may, from time to time, reasonably request

10 2 **Inspections** Franchisor s authorized representatives shall have the right, from time to time, to enter onto the premises of the Restaurant during business hours, to examine the Franchised Location conferring with Franchisee s supervisory or managerial personnel, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment and determining whether the Restaurant is being conducted in accordance with this Agreement, the System and the Manuals Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Restaurant If any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including quality, cleanliness, service health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee s

non-compliance with this Agreement, the System and/or the Manuals, and Franchisee shall promptly correct or repair such deficiency or unsatisfactory condition. In addition, if any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Restaurant, Franchisee shall pay Franchisor, upon demand, the sum of \$500 for a first re-inspection and the sum of \$2,500 for each subsequent re-inspection of the Restaurant, to compensate Franchisor for its out of pocket expenses incurred to have an agent or employee of Franchisor conduct such re-inspection, including expenses for transportation, lodging, food and the like.

10.3 **Audits** Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the La Salsa® Restaurant, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and such other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, in addition to any other rights and remedies Franchisor may have, Franchisor may require Franchisee to maintain and deliver to Franchisor, from time to time, financial statements audited by an independent certified public accountant.

10.4 **Books and Records** Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to such accounting information.

ARTICLE 11 TRADEMARKS

Franchisor and its Affiliates continue to develop, use and control the Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System's high standards of quality, appearance and service. To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same:

11.1 **Use of Marks** Subject to Section 11.7, the Restaurant licensed and franchised under this Agreement shall be named **La Salsa® Fresh Mexican Grill** without any suffix or prefix attached thereto, and Franchisee shall use and display such Franchisor's Marks and such signs, advertising and slogans as Franchisor may, from time to time, prescribe or approve. Upon expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the Marks, and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. Franchisee shall not imprint or authorize any person to imprint any Mark on any product without the express written approval of Franchisor. Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor. Franchisor may, in its sole discretion, withhold or condition any approval related to the Marks, including those described in this Section. During the Term, Franchisee shall identify the Restaurant as an independently owned and operated La Salsa® Franchise, in the form and manner specified by Franchisor, including, without limitation, on all invoices, order forms, receipts, checks, business cards, on posted notices located the Franchised Location and in other media and advertisements as Franchisor may direct from time to time.

11 2 **Non-Use of Trade Name** If Franchisee is an Entity, Franchisee shall not use Franchisor's Marks, trade name or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee's name

11 3 **Use of Other Trademarks** Franchisee shall not display the trademark service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Restaurant without the express prior written consent of Franchisor, which may be withheld in its discretion, provided however, in the case of an Express Venue, the Premises, but not the Restaurant, may display the trademarks, service marks and other commercial symbols of Franchisee or third parties in accordance with the terms contained in this Agreement

11 4 **Non-ownership of Marks** Nothing in this Agreement shall give Franchisee, and Franchisee shall not assert any right, title or interest in or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the Term, to display and use the same according to the terms and conditions contained in this Agreement Except as expressly limited in this Agreement, Franchisor (for itself, its affiliates and designees) retains all rights with respect to use of the Marks and the System to sell any products or services, similar to those which Franchisee sells, through any alternate channels of distribution This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order catalog sales, wholesale to unrelated retail outlets, over the Internet, or through other forms of electronic media (including social technology, social media and social networking platforms) Franchisor exclusively reserves the Internet and other forms of electronic media as channels of distribution for Franchisor, and Franchisee may not independently market on the Internet or through other forms of electronic media, or conduct e-commerce without Franchisor's prior written consent

11 5 **Defense of Marks** If Franchisee receives notice or is informed of any claim, suit or demand against Franchisee on account of any alleged infringement, unfair competition or similar matter on account of Franchisee's use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand Thereupon, Franchisor shall take such action as Franchisor may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party However Franchisor shall not be obligated to take any such action Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions with regard thereto shall be final

11 6 **Prosecution of Infringers** If Franchisee shall receive notice, is informed of or learns that any third party, which Franchisee believes such party to be unauthorized to use the Marks, is using the Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use Thereupon, Franchisor shall, in its discretion determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the Marks Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement

11 7 **Modification of Marks** From time to time, in the Manuals directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks Franchisee shall, at its own cost and expense, use or cease using, as may be applicable, the Marks, including, without limitation, any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement Except as Franchisor may otherwise direct, Franchisee shall implement any such change within sixty (60) days after notice thereof by Franchisor, at Franchisee's own expense

11 8 **Acts in Derogation of the Marks** Franchisee agrees that the Marks are the exclusive property of Franchisor and/or its Affiliates, and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill,

reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise Franchisee further agrees that Franchisee is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the Marks in the operation of La Salsa® Restaurants, and Franchisee agrees that Franchisee will maintain this standard in its use of the Marks. All use of the Marks by Franchisee inures to the benefit of Franchisor. Franchisee shall not contest or assist anyone in contesting, at any time during or after the Term, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent the dilution of such Marks. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor, or its Affiliates, in connection with the same, either during the Term or thereafter, and that Franchisee will use the Marks only for the uses and in the manner licensed and/or franchised under this Agreement and as provided in this Agreement. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of the Marks by any other La Salsa® Franchisee or Licensee of Franchisor, or (ii) divert, or attempt to divert, any business or any customers of the Restaurant to any other person or Entity, 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 the Marks.

11.9 **Assumed Name Registration** If Franchisee is required to do so by Applicable Law, Franchisee shall promptly, upon the execution of this Agreement, file with applicable Governmental Authorities, a notice of Franchisee's intent to conduct its business under the name La Salsa®. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents, as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

ARTICLE 12

COVENANTS REGARDING OTHER BUSINESS INTERESTS

Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about the operation of Mexican-style, fast service Restaurants or Baja Fresh Restaurants and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Restaurant under this Agreement. Franchisee further acknowledges and agrees that pursuant to this Agreement, Franchisee has and will receive valuable specialized training and Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, all principals of Franchisee) likewise acknowledges and agrees that it would be an act of unfair competition if Franchisee or the principals of Franchisee used the Confidential Information for their own economic benefit, to the economic detriment of Franchisor and other franchisees of Franchisor, and that the provisions of this Article 12 are intended to, and are necessary to, protect the Confidential Information for the benefit of Franchisor and all franchisees of Franchisor, including Franchisee. Therefore, to protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, Franchisee covenants and agrees to the provisions of this Article 12 to reduce the risk and likelihood of any intentional or unintentional misuse of the Confidential Information.

12.1 **Non-Competition** Franchisee acknowledges that the System is distinctive and has been developed by Franchisor, and/or its Affiliates, at great effort, time and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training and Trade Secrets regarding the System, including, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or

ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation diagrams, flowcharts research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques inventions, copyrightable material trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Restaurant under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which given the circumstances surrounding its disclosure, would be considered confidential (collectively, the **Confidential Information**) Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Franchisee after receiving it, has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee, or is shown by acceptable evidence to have been independently developed by Franchisee Franchisee recognizes its obligations to keep such information confidential as set forth in this Agreement Franchisee therefore agrees as follows

12.1.1 During the Term, no Restricted Person, Restaurant Manager or Director of Operations shall in any capacity, either directly or indirectly, through one (1) or more affiliated Entities, (i) engage in Competitive Activities at any location, regardless of its proximity to the Restaurant developed under this Agreement, unless Franchisor shall consent thereto in writing, (ii) divert or attempt to divert any business or any customers of the Restaurant to any other person or Entity, 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 the Marks or (iii) employ or seek to employ any person who is or has been within the preceding thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a managerial or supervisory employee or otherwise directly or indirectly induce such person to leave his or her employment

12.1.2 To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement (ii) the occurrence of any assignment during the Term, (iii) the cession of any Restricted Person's relationship with Franchisee, or (iv) the entry of a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 12.1.2, each person who was a Restricted Person before such event shall not for a period of twenty-four (24) months thereafter, either directly or indirectly own, operate, advise, be employed by or have any financial interest in any business engaged in Competitive Activities within an area within a three (3) mile radius of the Franchised Location or from any then existing La Salsa[®] Restaurant, without Franchisor's prior written consent. In applying for such consent, Franchisee will have the burden of establishing that any such activity by itself will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other La Salsa[®] Franchisees or Area Developers.

12.2 **Violation of Non-Compete** If Franchisee or any Restricted Person shall commit any violation of Section 12.1.2 during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 12.1.2, in addition to all other remedies available to Franchisor, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty four (24) month period, five percent (5%) all revenue derived from Competitive Activities, including the sale any merchandise, products and services and all other income of every kind and nature related to the Competitive Activities of the business which offers products the same as, or

similar to, the Restaurant ('**Post Termination Gross Revenue** ') in violation of Section 12.1.2 Franchisee shall account for and pay the five percent (5%) of such Post Termination Gross Revenue to Franchisor on the fifteenth (15th) day of each month on the Post Termination Gross Revenue of the competing business during the preceding month. Franchisor shall have the right to audit the books and records of the competing business in accordance with Section 10.3 to confirm Franchisee's compliance with this Section 12.2, upon prior notice to Franchisee.

12.3 Reducing Scope of Covenants Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Article 12, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 19.7.

12.4 Reasonable Good Faith Estimate Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur (1) if Franchisee or any Restricted Person shall commit any violation of Section 12.1.2 during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 12.1.2 or (2) if Franchisor expressly grants Franchisee permission in writing to compete with Franchisor pursuant to an arrangement made under Section 12.3 or otherwise due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the Then-Current term of this Agreement, the uncertainty regarding the Gross Sales of the Restaurant during the remainder of the Then-Current term of this Agreement, the amount of royalty fees Franchisee would have paid Franchisor based upon the Gross Sales of the Restaurant and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 12.2. Franchisor and Franchisee further acknowledge and agree that the five percent (5%) fee is a reasonable, good faith estimate of such damages.

12.5 Trade Secrets

12.5.1 Franchisor possesses and continues to develop the proprietary and confidential information, and during the course of the relationship established under this Agreement, Restricted Persons may have access to such proprietary and confidential information, including the Trade Secrets, Proprietary Software (and related documentation) recipes, secret ingredients, specifications, procedures concepts and methods and techniques of developing and operating a La Salsa® Restaurant and producing Authorized La Salsa® Products. Franchisor may disclose certain of its Trade Secrets to Restricted Persons in the Manuals, bulletins, supplements, confidential correspondence or other confidential communications, and through Franchisor's Initial Training Program and other guidance and management assistance and in performing Franchisor's other obligations and exercising Franchisor's rights under this Agreement. **Trade Secrets** shall not include information which (a) has entered the public domain or was known to Franchisee prior to Franchisor's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed, by anyone, to Franchisor, or its Affiliates, (b) becomes known to the Restricted Persons from a source other than Franchisor, or its Affiliates, and other than by the breach of an obligation of confidentiality owed, by anyone, to Franchisor, or its Affiliates, or (c) was independently developed by Franchisee without the use or benefit of any of Franchisor's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

12.5.2 Each Restricted Person shall acquire no interest in and to the Trade Secrets other than the right to use the Trade Secrets in developing and operating the Restaurant during the Term. A Restricted Person's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall (i) not use the Trade Secrets in any business or other endeavor other than in connection with the La Salsa® Restaurant, (ii) maintain absolute confidentiality of the Trade Secrets during and after

the Term, and (iii) make no unauthorized copy of any portion of the Trade Secrets, including without limitation, the Manuals, bulletins, supplements, confidential correspondence or other Confidential Information, whether written or oral. Franchisee shall operate the Restaurant and implement all reasonable procedures prescribed, from time to time, by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets, including, without limitation, implementing restrictions and limitations as Franchisor may prescribe on disclosure to supervisory or managerial personnel and use of non-disclosure and non-competition provisions in employment agreements with supervisory or managerial personnel who may have access to the Trade Secrets. Promptly upon Franchisor's request, Franchisee shall deliver executed copies of such agreements to Franchisor. If Franchisee has any reason to believe that any supervisory or managerial employee has violated the provisions of the confidentiality and non-competition agreement, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor to protect Franchisor against infringement or other unlawful use including, but not limited to, the prosecution of any lawsuits if, in the judgment of Franchisor, such action is necessary or advisable.

12.5.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth in this Agreement in connection with these matters, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the United States federal courts sitting in Orange County, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Orange County, California.

12.6 **Confidentiality Covenants from Individuals Associated with Franchisee** Franchisee shall require any supervisory or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

12.7 **Confidentiality and Press Releases** To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, Franchisee shall not disclose the substance of this Agreement to any third party except as necessary to inform lessors from which it is seeking Leases or lessors which are parties to Leases in order to obtain renewals of, or avoid terminations of, such Leases or as necessary to obtain any Permits or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal, state, or local agency having jurisdiction over Franchisee, provided that Franchisee shall give Franchisor prior notice of such disclosure. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Restaurant or any Crisis Management Event shall be made by Franchisee without the written approval of Franchisor in advance of such press release announcement, or public communication.

12.8 **Interference With Employment Relations** Without Franchisor's prior written consent during the Term and for a period of twenty-four (24) months following the termination, expiration or nonrenewal of this Agreement, or if there shall occur an Assignment, neither Franchisee, its Owner(s) or their respective Affiliates, officers, directors or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly hire, solicit or encourage to leave the employment of Franchisor, any of its Affiliates, or any Licensee or Franchisee of Franchisor, any of Licensee's or Franchisee's Affiliates, any employee of Franchisor or any of Franchisor's Affiliates (or any person who such persons knew or should have known was an employee of any Licensee or Franchisee of Franchisor) or hire any such employee who has left the employment of Franchisor, or any of its Affiliates (or Franchisor's Licensee or Franchisee) within one (1) year of the termination of such employee's employment with Franchisor, or any of its Affiliates (or Franchisor's Licensee or Franchisee).

12 9 **Effect of Applicable Law** In the event any portion of the covenants in this Article 12 violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Article 12 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

12 10 **Business Practices**

12 10 1 Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act (the **Patriot Act**) and any amendments or successors thereto.

12 10 2 Neither Franchisee, nor any of the Owners of Franchisee nor any employee of either Franchisee or the Owners of Franchisee is named as a "**Specially Designated Nationals**" or "**Blocked Persons**" as designated by the United States Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address www.treas.gov/offices/enforcement/ofac/sdn/. Franchisee is neither, directly nor indirectly, owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or the Owners of Franchisee act, directly or indirectly, on behalf of the government of any country that is subject to a United States embargo. Franchisee agrees that it will notify Franchisor in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this Section incorrect.

12 10 3 Franchisee represents that it understands and has been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledges the importance to Franchisor, the System and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any Applicable Law. Franchisee shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

12 11 **Survival** The provisions of this Article shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or Franchisor's Marks, System, Trade Secrets, or any other proprietary aspects of Franchisor's business.

ARTICLE 13
NATURE OF INTEREST, ASSIGNMENT

13 1 **Assignment by Franchisor** This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests in this Agreement, provided, however, that such transferee and successor shall expressly agree to assume Franchisor's obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate, (ii) sell its assets, its marks, or its System outright to a third party, (iii) engage in a public offering of its securities, (iv) engage in a private placement of some or all of its securities, (v) merge, acquire other corporations, or be acquired by another corporation, or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims,

demands or damages arising from or related to any or all of the above actions (or variations thereof) With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of as Franchisor under this Agreement Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty fraud, breach of contract or breach of the implied covenant of good faith and fair dealing Franchisee agrees that Franchisor has the right, now or in the future to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business facilities, and to operate, franchise or license those businesses and/or facilities as La Salsa® Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be proximate to the Restaurant) Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment

13.2 Assignment by Franchisee

13.2.1 The rights and duties created by this Agreement are personal to Franchisee This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Restaurant Accordingly, to protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, except as otherwise may be permitted in this Agreement, neither Franchisee nor any Owner (other than Franchisor, if applicable) shall, without Franchisor's prior written consent, directly or indirectly sell, assign transfer, convey, give away, pledge, mortgage, hypothecate, or otherwise encumber, in whole or in part, any direct or indirect interest in this Agreement or all or any substantial portion of the assets of the Restaurant or any other La Salsa Restaurant owned by Franchisee, whether individually or collectively, in whole or in part, voluntarily or involuntarily, or any transfer of forty-nine percent (49%) or more of the capital stock, membership interests, partnership rights or other equity ownership interests of Franchisee, other than the sale of Authorized La Salsa® Products in the ordinary course (an **Assignment**) Any such purported Assignment occurring by operation of law or otherwise without Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee, and shall be null and void Except in the instance of Franchisee advertising to sell the Restaurant and assign this Agreement in accordance with the terms of this Agreement, Franchisee shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's Lease or the real or personal property used in connection with the Restaurant Franchisee may not make any Assignment to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the assets of the Restaurant may be ineffective under Applicable Law, Franchisee shall provide not less than ten (10) days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement or the assets of the Restaurant

13.2.2 If Franchisee is an Entity, each of the following shall be deemed to be an Assignment of this Agreement (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of more than forty-nine percent (49%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee, (ii) the issuance of any securities by Franchisee which itself or in combination with any other transaction(s) results in its Owners as constituted on the Effective Date, owning less than fifty-one percent (51%) of the outstanding Equity or voting power of Franchisee, (iii) if Franchisee is a Partnership, the

resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than forty-nine percent (49%) of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner, (iv) the death or legal incapacity of any Owner of Franchisee owning more than forty-nine percent (49%) of the Equity or voting power of Franchisee, and (v) any merger, stock redemption consolidation, reorganization, recapitalization or other transfer of control of Franchisee, however effected. If Franchisee is an Entity, Franchisee shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an **Assignment**

13.2.3 Franchisor will not unreasonably withhold its consent to any Assignment which is subject to the restrictions of this Article, provided however, Franchisor may impose any reasonable condition to the granting of its consent, and requiring Franchisee to satisfy any or all of the following conditions shall be deemed reasonable

(a) The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the transferee will be unlikely to properly maintain, operate and promote the Restaurant and meet the transferee's financial and other obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability to either transferor or transferee on the part of Franchisor, in the event that Franchisor approves the transfer and the transferee experiences financial difficulties

(b) Franchisee's written request for Franchisor's consent to Assignment must be accompanied by a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Franchisor may reasonably request,

(c) Franchisor's receipt of an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Franchisor may require,

(d) Franchisee's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration), and provided further that Franchisee shall make representations and warranties to Franchisor customary for transactions of the type proposed (the **Purchase Option**). If Franchisor elects to exercise the Purchase Option, Franchisor or its nominee, as applicable, shall send written notice of such election to Franchisee within thirty (30) days of receipt of Franchisee's request. If Franchisor accepts such offer the training and Administrative/Transfer Fees due by Franchisee in accordance with this Agreement shall be waived by Franchisor, and the closing of the transaction shall occur within one hundred and twenty (120) days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing (or the failure to close the transaction within one hundred and twenty (120) days following the written notice provided by Franchisee) shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. Franchisor's failure to exercise such option shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer. Franchisor may assign a right of first refusal, in Franchisor's discretion to an Affiliate or third party designee

(e) Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor shall have been paid in full

(f) Franchisee, and its Owners, if Franchisee is an Entity, shall execute a General Release,

(g) The transferee/assignee shall have demonstrated to Franchisor's satisfaction that it meets all of Franchisor's Then Current requirements for new La Salsa® Restaurant operators or for holders of an interest in a franchise or license, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications and the ability to fully comply with the terms of this Agreement,

(h) If the transferee/assignee is a person whose native language is not English, or who does not meet other criteria that Franchisor specifies, the transferee/assignee may first need to score sufficiently high as determined solely by Franchisor, on a professionally-administered English language proficiency examination,

(i) The transferee/assignee shall have either (a) assumed this Agreement by a written assumption agreement approved by Franchisor, or has agreed to do so at closing, and at closing executes an assumption agreement approved by Franchisor, provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any such obligations or (b) at Franchisor's option, shall have executed a replacement franchise agreement on the Then Current standard form of franchise agreement used by Franchisor in the State in which the Restaurant is being operated, provided, however, that the term of replacement franchise agreement shall be the remaining term of this Agreement, and, at Franchisor's request, the transferor/assignor shall have executed a continuing guarantee in favor of Franchisor of the performance and payment by the transferee/assignee of all obligations and debts to Franchisor and its Affiliates under the replacement franchise agreement

(j) If this Agreement has been executed pursuant to an Area Development Agreement (whether or not such agreement remains in effect), that this Agreement and all other franchise agreements executed pursuant to such Area Development Agreement shall be concurrently transferred/assigned to the same assignee,

(k) The assignee shall agree to refurbish the La Salsa® Restaurant as needed (in Franchisor's discretion) to match the building design, trade dress, color scheme and presentation then used by Franchisor within the twelve (12) month period preceding the assignment for its La Salsa® Restaurants (such refurbishment may include, without limitation, remodeling, redecoration and modifications to existing improvements),

(l) There shall not be any suit, action or proceeding pending, or to the knowledge of Franchisee any suit, action or proceeding threatened, against Franchisee with respect to the La Salsa® Restaurant

(m) Upon submission of Franchisee's request for Franchisor's consent to any proposed transfer or assignment, Franchisee shall pay to Franchisor an Administrative/Transfer Fee of \$5,000 plus Franchisor's out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer, and

(n) The transferee/assignee and its supervisory and managerial employees who are responsible for the operation of the Restaurant shall have satisfactorily completed Franchisor's Initial Training Program and shall have paid Franchisor the Initial Training Fee of \$5,000 for the Initial Training Program for the transferee/assignee

13 2 4 If Franchisee, or Franchisee's owners with a controlling interest, or Franchisee's supervisory and managerial personnel have successfully completed Franchisor's current Initial Training Program and earned the designation of **Certified Trainer**, Franchisee and Franchisee's Certified Trainer shall be responsible for training the transferee/assignee at Franchisee's expense. If Franchisee does not have a Certified Trainer on staff, Franchisor shall train the transferee/assignee and one other supervisory or managerial employee of Franchisee at Franchisee's expense and Franchisee shall pay Franchisor a \$10,000 transfer training fee for the Initial Training Program for the transferee/assignee (the **Transfer Training Fee**).

13 2 5 Franchisee and the transferee/assignee shall use an independent third party escrow company designated by Franchisor in connection with their purchase and sale transaction.

13 2 6 Franchisor's consent to an Assignment shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (a) any payment or other duty owed by Franchisee to Franchisor under this Agreement before such Assignment, or (b) Franchisee's duty of indemnification and defense as set forth in Section 17 2, whether before or after such Assignment, or (c) the obligation to obtain Franchisor's consent to any subsequent transfer.

13 3 **Entity Franchisee** If a Franchisee is an Entity, the following provisions will apply:

13 3 1 Franchisee represents and warrants that the information set forth in **Exhibit A**, which is annexed to this Agreement and by this reference made a part of this Agreement, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in **Exhibit A**, and shall submit to Franchisor a revised **Exhibit A**, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as **Exhibit A**. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

13 3 2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Restaurants, pursuant to one or more franchise agreements from Franchisor. Franchisee shall submit to Franchisor, upon the execution of this Agreement and thereafter from time to time upon Franchisor's request, a resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision.

13 3 3 All present and future Owners of a ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guarantee in a form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Franchisor and to Franchisor's Affiliates. For purposes of determining whether said ten percent (10%) threshold is satisfied, holdings of spouses, family members and Affiliates shall be aggregated. Upon each transfer or assignment of an interest in Franchisee or other change in ownership interests in Franchisee, and at any other time upon Franchisor's request, said holders shall re-execute a written guarantee in a form prescribed by Franchisor.

13 3 4 Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted

to Franchisor for a limited review as discussed below prior to being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay, in addition to the Administrative/Transfer Fee required under Section 13.2.3(m), to Franchisor a non-refundable fee of \$5,000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

13.4 Assignment to a Controlled Entity

13.4.1 If Franchisee is one or more individuals, and in the event that Franchisee proposes to transfer all of its interest in this Agreement and the assets of the Restaurant operated under this Agreement to an Entity formed by Franchisee solely for the convenience of ownership, Franchisee may (without paying the Administrative/Transfer Fee specified in Section 13.2.3(m)), with Franchisor's written consent to such transfer may be conditioned on the following requirements:

(a) Upon Franchisor's request, Franchisee delivering to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents and Franchisor has accepted the same,

(b) The transferee Entity's articles of incorporation or articles of organization, bylaws and operating agreement, as applicable, shall provide that its activities are confined exclusively to operating the Restaurant operated under this Agreement,

(c) Franchisee directly owns not less than fifty-one percent (51%) of the Equity and voting rights of the transferee Entity,

(d) Such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified,

(e) The person designated by Franchisee as the Operating Principal or Director of Operations has exclusive day-to-day operational control of the Restaurant,

(f) Such Entity conducts no other business than the operation of Restaurants,

(g) Such Entity assumes all of the obligations under this Agreement pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor,

(h) Each individual comprising Franchisee, and all present and future owners of ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights of Franchisee shall execute a written guarantee, in a form prescribed by Franchisor, personally, irrevocably and unconditional

guaranteeing, jointly and severally, with all other Guarantors, the full payment and performance of all of the obligations to Franchisor and its Affiliates under this Agreement,

(i) That none of the Owners of the Equity of the transferee Entity is, directly or indirectly, engaged in a Competitive Activity,

(j) At Franchisor's request, Franchisee shall, and shall cause each of its Affiliates who have executed a franchise agreement and each direct or indirect parent or subsidiary of such Affiliate, to execute and deliver to Franchisor a General Release, and

(k) Franchisee shall reimburse Franchisor for all direct and indirect costs and expenses Franchisor may incur in connection with the transfer, including attorney's fees

13 4 2 In the event that Franchisee exercises its rights under Section 13 4 1 then Franchisee and such assignee Entity shall affirmatively covenant to continue to satisfy each of the conditions set forth in Section 13 4 1 throughout the term of this Agreement

ARTICLE 14 DEFAULT AND TERMINATION

14 1 **General** Franchisor shall have the right to terminate this Agreement only for ~~cause~~ Cause is hereby defined as a default of this Agreement Franchisor shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners

14 2 **Automatic Termination Without Notice** Subject to Applicable Laws of the jurisdiction in which the Restaurant operated under this Agreement is located to the contrary, Franchisee shall be deemed to be in default under this Agreement, and all rights granted in this Agreement shall at Franchisor's election automatically terminate without notice to Franchisee if (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors, (ii) Franchisee shall allow a judgment against him in the amount of more than \$25,000 to remain unsatisfied for a period of more than thirty (30) days (unless a supersedeas or other appeal bond has been filed), (iii) the Restaurant, the Premises or Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against Franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed), (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Restaurant, and it is not discharged within five (5) days of such levy or attachment, (v) Franchisee permits any recordation of a notice of mechanics lien against the Restaurant or any equipment at the Restaurant which is not released within sixty (60) days, or if any person commences any action to foreclose on the Restaurant or said equipment, (vi) Franchisee allows or permits any judgment to be entered against Franchisor or any of its Affiliates arising out of or relating to the operation of the Restaurant, or (vii) a condemnation or transfer in lieu of condemnation has occurred

14 3 **Option to Terminate Without Opportunity to Cure** Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events

14 3 1 **Abandonment** If Franchisee shall abandon the Restaurant. For purposes of this Agreement, 'abandon' shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Restaurant open and operating for business for a period of five (5) consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Premises or Restaurant open and operating for any period after which it is

not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Restaurant, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Restaurant solely with the La Salsa® name, (iv) the withdrawal of permission from the applicable lessor that results in Franchisee's inability to continue operation of the Restaurant; or (v) closing of the Restaurant required by Applicable Law if such closing was not the result of a violation of this Agreement by Franchisor

14.3.2 Assignment, Death or Incapacity If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor, provided, however, that if the Restaurant continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Franchisor shall allow up to six (6) months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "Heirs") of Franchisee either to enter into a new Franchise Agreement upon Franchisor's then current form (except that no Initial Franchise Fee or Administrative/Transfer Fee shall be charged), if Franchisor is subjectively satisfied that the Heirs meet Franchisor's standards and qualifications, or if not so satisfied to allow the Heirs to sell the Restaurant to a person approved by Franchisor, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning twenty percent (20%) or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning twenty percent (20%) or more of any of the Partnership Rights of a Franchisee which is a Partnership, Franchisor shall allow a period of up to six (6) months after such death or legal incapacity for the Heirs to seek and obtain Franchisor's consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Franchisor. If, within said six (6) month period, the Heirs fail either to enter into a new franchise agreement or to sell the Restaurant to a person approved by Franchisor pursuant to this Agreement, or fail either to receive Franchisor's consent to the Assignment of such Equity to the Heirs or to another person acceptable by Franchisor, as provided in this Agreement, this Agreement shall thereupon automatically terminate

14.3.3 Repeated Defaults If Franchisee shall default in any obligation as to which Franchisee has previously received three (3) or more written notices of default from Franchisor setting forth the default complained of within the preceding twelve (12) months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure

14.3.4 Misrepresentation If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the Operations of the Restaurant

14.3.5 Violation of Law If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Restaurant

14.3.6 Health or Safety Violations If Franchisee's operation of the Restaurant constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after notice of default and thereafter sells such products whether or not Franchisee has cured the default after one or more notices

14.3.7 Under Reporting If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement

14.3.8 Criminal Offenses If Franchisee or any of its Owners, officers, directors, or key employees is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely in the sole opinion of Franchisor to adversely affect Franchisor's reputation, System, Marks or the goodwill associated therewith, or Franchisor's interest therein, provided, however that if the crime or offense is committed by an Owner

other than an Operating Principal, then Franchisor may only terminate on account thereof if such Owner fails within thirty (30) days after the conviction or guilty plea, whichever first occurs, to sell its interest in Franchisee to Franchisee's other Owners

14.3.9 Intellectual Property Misuse If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Restaurant or the LA SALSA® chain generally Franchisee's unauthorized use, disclosure, or duplication of the Trade Secrets', excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use

14.3.10 Improper Inventory If Franchisee fails to purchase and maintain in inventory such types and quantities of La Salsa' Brand Products, Proprietary Products or Non-Proprietary Products as are needed to meet reasonably anticipated consumer demand and/or if Franchisee shall purchase La Salsa Brand Products, Proprietary Products or Non-Proprietary Products from any suppliers other than Franchisor or its designees, and fails to cure such defaults within three (3) days after having received notification to do so from Franchisor

14.3.11 Otherwise Incurable If Franchisee shall Default in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee

14.4 Termination With Notice and Opportunity To Cure Except for any default by Franchisee under Sections 14.2 or 14.3, and as otherwise expressly provided elsewhere in this Agreement Franchisee shall have ten (10) days (five (5) days in the case of any default in the timely payment of sums due to Franchisor or its Affiliates) after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure

14.5 Reimbursement of Franchisor Costs In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within five (5) days after cure or upon demand by Franchisor if such default is not cured

14.6 Cross-Default Except for a default or termination of any Area Development Agreement consisting solely of Franchisee's failure to meet the development schedule thereunder, any default by Franchisee under the terms and conditions of this Agreement, any Lease, or any other agreement between Franchisor (or its Affiliate), and Franchisee (or any Affiliate of Franchisee), or any default by Franchisee (or any Affiliate of Franchisee) of its obligations to any Co-Op Advertising Region of which it is a member, shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties to this Agreement, Franchisor may, at its option, terminate any or all said agreements

14.7 Notice Required By Law Notwithstanding anything to the contrary contained in this Article, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties to this Agreement shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof

14.8 Interim Management To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same after Franchisor has given Franchisee written notice that Franchisee is in default, Franchisor

may (but is not obligated to) assume interim management of the Restaurant during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Restaurant (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Restaurant during any such interim management period, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Restaurant, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

14.9 **Termination by Franchisee** Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations under this Agreement, which default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity, provided, that if the default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within sixty (60) days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and the Arbitrator shall not, and shall not have the power or authority to, waive, modify or change this requirement in any arbitration proceeding or otherwise. If Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of Article 15.

ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION

15.1 **General** To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same upon the expiration or termination of Franchisee's rights granted under this Agreement:

15.1.1 Franchisee shall immediately cease to use all Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall immediately return the Manual and all written materials incorporating Trade Secrets and all copies of the whole or any part thereof to Franchisor. Franchisee shall at its own cost, make cosmetic changes to the Restaurant so that it no longer contains or resembles Franchisor's proprietary designs, including: Franchisee shall remove all La Salsa® identifying materials and distinctive La Salsa® cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location as Franchisor may reasonably direct.

15.1.2 If Franchisor so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisee will sell to Franchisor such equipment and furnishings as Franchisor may designate that are associated with the La Salsa® Restaurant at its net book value, using a five (5) year straight line amortization period. Franchisor shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated La Salsa® Restaurant (which goodwill Franchisee acknowledges is owned exclusively by Franchisor). Franchisor may offset against any obligations it may have pursuant to this Section any amounts owed by Franchisee to Franchisor.

15.1.3 Franchisor may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Franchisor and its Affiliates. If this Agreement terminates due to any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Restaurant, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Franchisee to use the Marks, patents, copyrights

and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf such documents as are necessary to obtain and perfect such lien. Franchisor shall have the right to set off any amounts which it deems are payable to it by Franchisee.

15.1.4 In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total royalty fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the two (2) year period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Restaurant or for a replacement restaurant in the trade area of the Restaurant. In this regard, Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Restaurant or for a replacement restaurant in the trade area of the Restaurant. Franchisor and Franchisee further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of such damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Restaurant, Franchisor may estimate the Gross Sales of the Restaurant for the applicable period based upon the historical financial information available to Franchisor at such time.

15.1.5 Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate.

15.1.6 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a Franchisee or other Affiliate of Franchisor.

15.1.7 Franchisor shall have the option, exercisable by written notice within thirty (30) days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for the Restaurant, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Restaurant, and authorize and instruct their transfer to Franchisor. Franchisee shall deliver all goods and materials containing the Marks to Franchisor and Franchisor shall have the sole and exclusive use of any items containing the Marks. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

15.1.8 If Franchisor shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall, at Franchisor's option, cancel or assign to Franchisor or its designate all of Franchisee's right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part, and Franchisee shall notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration of this Agreement, of the termination of Franchisee's right to use any domain name, web page and other Internet device associated with Franchisor or the Restaurant, and authorize and instruct their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises its said rights or options. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the Internet, except with the prior consent of Franchisor as provided in this Agreement.

15.2 **Survival of Obligations** Termination or expiration shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post termination (or post-expiration) covenants and agreements including the obligation of Franchisor and Franchisee to resolve any and all disputes by reference, shall survive the termination or expiration of this Agreement.

15.3 **No Ownership of Marks** Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor. Franchisee acknowledges and agrees that the use of the Marks after termination or expiration of this Agreement constitutes an unauthorized use of an identical mark and Franchisor shall be entitled to damages due to, but not limited to, trademark infringement and counterfeiting.

15.4 **Government Filings** In the event Franchisee has registered any of Franchisor's Marks or the name La Salsa® as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Franchisor's Marks and any confusingly similar marks or names therefrom.

ARTICLE 16 INSURANCE

16.1 **Insurance** Franchisee shall obtain and maintain (at all times during the Term) insurance coverage in the types and amounts of coverage and deductibles specified in the Manuals which shall in each instance designate Franchisor and its designated Affiliates as additional named insureds, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld.

16.2 **Use of Proceeds** In the event of damage to the Restaurant covered by insurance, the proceeds of any such insurance shall be used to restore the Restaurant to its original condition as soon as possible, unless such restoration is prohibited by the Franchised Location Lease or Franchisor has otherwise consented to in writing. Upon the obtaining of such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage and/or at such other times upon the request of Franchisor.

16.3 **Proof of Insurance** Franchisee shall, prior to opening the Restaurant, (and from time to time, within 10 days after a request therefor from Franchisor, and annually thereafter provide evidence of the renewal or extension of each insurance policy) file with Franchisor, certificates of such insurance on the additional-insured Grantor of Franchise Form CG 2029 or an insurer's comparable form and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Franchisor's costs in taking such action. In addition to all other insurance required under this Article 16, Franchisee shall obtain and maintain Employment Practices Liability Insurance throughout the Term.

ARTICLE 17 RELATIONSHIP OF PARTIES, DISCLOSURE

17.1 **Relationship of Franchisee to Franchisor** It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or

with the other, each being independent Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority Franchisee and Franchisor will each file their own tax, regulatory and payroll reports and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations, saving and indemnifying the other party to this Agreement of and from any liability of any nature whatsoever by virtue thereof Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship

17.2 Indemnity

17.2.1 Franchisee shall protect, defend and indemnify Franchisor, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property arising out of or in connection with Franchisee's development, construction or operation of the Premises or the Restaurant under this Agreement, except to the extent caused by Franchisor's intentional misfeasance, gross negligence or material default of its obligations under this Agreement

17.2.2 Franchisor shall protect, defend and indemnify Franchisee, its Owners, Affiliates, officers, directors, employees and attorneys and each of them from any liability or damage any of them may incur, including reasonable attorney's fees, as a result of third party claims, demands costs, or judgments of any kind or nature, arising out of Franchisor's intentional misfeasance, gross negligence or material breach of its obligations under this Agreement, except to the extent caused by the intentional misfeasance, gross negligence or material breach by Franchisee (or any of its Owners, Affiliates, officers, directors, employees or attorneys) of obligations under this Agreement

17.2.3 Each party entitled to indemnification under this Agreement shall give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation shall not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay) Franchisor shall retain the full right and power to direct, manage, control and settle the litigation of any claim Each indemnified party shall submit all indemnifiable claims to its insurers in a timely manner Any payments made by an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims

ARTICLE 18 DISPUTE RESOLUTION

18.1 **Arbitration** Except as provided in Sections 18.2 and 18.3 and except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged default under this Agreement, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part of this Agreement is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ('AAA'), by one arbitrator selected by Franchisor and Franchisee in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law (i) the proceedings shall be held in Los Angeles, California, (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer, and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 18.5. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. The parties agree to be bound by the provisions of the limitations on the period of time in which claims must be brought under Applicable Law or this Agreement, whichever expires earlier. The parties further agree that, in connection with any arbitration proceeding conducted under this Agreement, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred.

18.2 **Exceptions to Arbitration** The arbitration provision in Section 18.1 shall not apply to (i) any action for injunctive or other provisional relief, including, but not limited to, enforcement of liens, security agreements, or attachments, which a party deems to be necessary or appropriate to compel the other party to comply with its obligations under this Agreement, or (ii) any action Franchisor deems to be necessary or appropriate to protect the Marks and Trade Secrets of Franchisor. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

18.3 **Other Remedies** Nothing in this Article 18 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under Applicable Law.

18.4 **Mediation** Notwithstanding anything to the contrary in Section 18.1, before either party may initiate any arbitration proceeding as described above (other than suits described in Section 18.3), Franchisor and Franchisee pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California,

and shall be conducted and completed within forty five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. If the parties fail to complete mediation within the forty-five (45) day period, either Franchisor or Franchisee may initiate an arbitration proceeding in accordance with Section 18.1. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent arbitration or other legal proceeding.

18.5 Governing Law This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of the State of California, except for the provisions in of Sections 12.1 through and including 12.5 which shall be governed by the laws of the state in which the Restaurant operated under this Agreement is located. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 18.5 is intended by the Parties to subject this Agreement to any franchise or similar law, rule or regulation of any state to which it would not otherwise be subject.

18.6 Survival The terms of this Article 18 shall survive termination, expiration or cancellation of this Agreement.

18.7 Exceptions to Mediation The mediation provision in Section 18.4 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Marks. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to mediation.

ARTICLE 19 MISCELLANEOUS PROVISIONS

19.1 Notices Except as otherwise expressly provided in this Agreement, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor:

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: Charles Rink, President
Facsimile No. (949) 270-8901

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq
Lewitt, Hackman
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No (818) 981-4764

If to Franchisee

Attention _____
Facsimile No _____

Any party may change his or its address by giving ten (10) days' prior written notice of such change to all other parties

19.2 **Franchisor's Right To Cure Defaults** In addition to all other remedies in this Agreement granted if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for default or breach under this Agreement and without notice to Franchisee, cure such default or breach for the account and on behalf of Franchisee, and the cost to Franchisor thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Franchisor under this Agreement and shall be added to the amount of compensation next accruing under this Agreement, at the election of Franchisor

19.3 **Waiver and Delay** No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Restaurant) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's discretion, at any time and for any reason, effective upon ten (10) days' prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

19.4 **Survival of Covenants** The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

19.5 **Successors and Assigns, Benefit** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors, administrators, successors and assigns subject to the restrictions on Assignment contained in this Agreement. This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party to this Agreement.

19 6 **Joint and Several Liability** If Franchisee consists of more than one person or Entity, or a combination thereof the obligations and liabilities of each such person or entity to Franchisor are joint and several, and such person(s) and/or Entities shall be deemed to be a general partnership

19 7 **Entire Agreement** This Agreement and the Manuals contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings and representations are merged in this Agreement and superseded hereby Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter of this Agreement between the parties that are not contained in this Agreement No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Disclosure Document for prospective franchisees required by Applicable Law and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor previously furnished to Franchisee

19 8 **Titles for Convenience** Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement

19 9 **Gender and Construction** The terms of all Exhibits to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section of this Agreement may require As used in this Agreement, the words include, includes or including are used in a non-exclusive sense Unless otherwise expressly provided in this Agreement to the contrary any consent, acceptance, approval or authorization of Franchisor which Franchisee may be required to obtain under this Agreement may be given or withheld by Franchisor in its sole discretion To protect the System, the Marks, the Trade Secrets, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted under this Agreement to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction Franchisor may do so in its sole subjective judgment and discretion Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties to this Agreement Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable

19 10 **Severability** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect

19 11 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and will be deemed original copies of this Agreement for all purposes, provided that the electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

19 12 **Fees and Expenses** If any party to this Agreement shall bring any arbitration proceeding, action or other proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration proceeding, action or other proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration proceeding, action or other proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include, without limitation, fees incurred in the following: (i) post-judgment motions, (ii) contempt proceedings, (iii) garnishment, levy, and debtor and third party examinations, (iv) discovery, and (v) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

19 13 **Exclusive Remedy** In no event shall Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement for specific performance or for declaratory judgment.

ARTICLE 20 SUBMISSION OF AGREEMENT

20 1 **General** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

ARTICLE 21 ACKNOWLEDGMENTS

21 1 **General** Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

21 2 **Independent Investigation** Franchisee acknowledges that Franchisee has conducted an independent investigation of the business franchised under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if an Entity, its Owners, as independent businesspersons Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied as to the potential volume, profits, or success of the business venture contemplated by this Agreement

21 3 **Copy of Agreement** Franchisee acknowledges that it received a copy of this Agreement, the Exhibit(s) to this Agreement, and agreements relating to this Agreement, if any, with all of the blank lines therein filled in, at least five (5) business days prior to the date on which this Agreement was executed

21 4 **Opportunity to Consult** Franchisee acknowledges that it has read and understood this Agreement, the Exhibits to this Agreement, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement

21 5 **Franchise Disclosure Document** Franchisee acknowledges that it has received a copy of the complete Uniform Franchise Disclosure Document which contains a copy of this Franchise Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed Franchisee acknowledges and agrees that Franchisor has made no promises representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Restaurant that he has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Franchisee's business ability and aptitude is primary in determining his success

21 6 **Atypical Terms** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other La Salsa® franchisees in any manner and at any time which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement Franchisor may, in its reasonable business judgment and its sole and absolute discretion due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other La Salsa® franchisees in a non-uniform manner

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first shown above

FRANCHISOR

LA SALSA FRANCHISE, LLC
A Delaware limited liability company

By _____
Charles Rink, its President

FRANCHISEE

[] A _____ corporation,
[] A _____ limited liability company,

- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

**FRANCHISE AGREEMENT
EXHIBIT A
ENTITY INFORMATION**

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects

- (1) Franchisee is a (check as applicable)
☐ corporation
☐ limited liability company
☐ general partnership
☐ limited partnership
☐ Other (specify) _____

State of incorporation/organization _____

Name of Franchisee entity _____

(2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (collectively the **Entity Documents**)

(3) Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee

(4) The name and address of each of Franchisee s Owners, members, or general and limited partners

NAME	ADDRESS	NUMBER OF
		SHARES OR PERCENTAGE INTEREST (if applicable)

(5) There is set forth below the names, addresses and titles of Franchisee s Principal Officers or partners who will be devoting their full time to the Restaurant

NAME	ADDRESS	TITLE

(6) The address where Franchisee's Financial Records and Entity Documents (e.g., Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is _____

(7) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the partners, shareholders and members of Franchisee and the ownership of Franchisee upon demand by Franchisor. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in the Franchise Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, its President

FRANCHISEE

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

FRANCHISE AGREEMENT

**EXHIBIT B
FRANCHISED LOCATION**

The following site has been selected and approved as the 'Franchised Location' for the Franchised Unit' in accordance with the Franchise Agreement entered into between Franchisor and Franchisee and dated _____ 20__

IN WITNESS WHEREOF, the parties have executed this Exhibit B at _____ on _____, 20__

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, its President

FRANCHISEE

[] A _____ corporation,

- [] A _____ limited liability company,
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

EXHIBIT C

NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE (this **Agreement**) is made this ___ day of _____, 20__ (the "**Effective Date**"), by and between _____ (**Franchisee**), on the one hand, and _____ (**Recipient**), on the other hand, with reference to the following facts

A La Salsa Franchise, LLC, a Delaware limited liability company ('**Franchisor**') and its affiliates have developed the La Salsa® franchise, which is a fast-food restaurant business that sells fresh, high quality Mexican-style food products, uses the trade name **La Salsa®**, which is a registered trademark and service mark (the '**Proprietary Marks**'), and uses the La Salsa® System (the **System**'), a system of food production and restaurant operating techniques that are licensed to franchisees and identify the franchised restaurants with the La Salsa® reputation for quality and service

B The System also includes confidential and proprietary information regarding the System including, without limitation, Franchisor's operations and training manuals and any other written directives related to the System (the **Confidential Operations Manual**), Franchisor's operating methods and business practices, Franchisor's relationships with its franchisees the interior and exterior designs Franchisor and its affiliates have developed for La Salsa® restaurants, and other items of trade dress, Franchisor's specifications for equipment, fixtures and uniforms, Franchisor's defined product offerings, recipes, preparation methods and specified pricing and promotions, Franchisor's ownership restrictions standard operating and administrative procedures and management and technical training programs, and Franchisor's marketing and public relations programs (collectively, the **Confidential Information**) The Proprietary Marks used to identify the System may be modified by Franchisor, from time to time Franchisor continues to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under the Proprietary Marks and the System, and to represent the System's high standards of quality, appearance and service

C Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a La Salsa® restaurant (the **Restaurant**) and to use the System, the Proprietary Marks, the Confidential Operations Manual, and the Confidential Information, in the operation of the Restaurant

D Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from each supervisory and managerial employee employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement of each such employee and independent contractor to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends

NOW, THEREFORE, IT IS AGREED

1 **ACKNOWLEDGMENTS OF RECIPIENT**

1.1 **No Prior Experience, Information or Knowledge** Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about the operation of a fast-food restaurant business that sells fresh, high quality Mexican-style food products, the Restaurant, the System or the Confidential Information. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Confidential Information** The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer information and customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the La Salsa® restaurants which may be communicated to Recipient, the Confidential Operations Manual, the Proprietary Marks and any other information or material considered proprietary by Franchisor, whether or not designated as Confidential Information by Franchisor. Confidential Information also includes the manner in which any of the above-described items may be combined with other information or products or synthesized or used by Franchisor, Franchisee or Recipient. Confidential Information does not include any information that (i) was in the lawful and unrestricted possession of Recipient prior to its disclosure to Recipient by Franchisee, (ii) is or becomes generally available to the public by acts other than those of Recipient after receiving it, (iii) has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisee or Franchisor, or (iv) is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value** The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee, (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee, and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

1 4 **Valuable and Proprietary** The Confidential Information has been developed by Franchisor its founder and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates

2 **COVENANTS OF RECIPIENT**

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends

2 1 **Maintain Confidentiality** Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information, and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel at the time they are employed by Franchisee in a supervisory or managerial capacity, or independent contractors at the time they are engaged by Franchisee, and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2 2 **No Reproduction or Use** Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2 3 **Restrictions** Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity (i) divert or attempt to divert any present or prospective La Salsa® customer 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 the Proprietary Marks and the System, (ii) employ or seek to employ any person who is or has been within the preceding thirty (30) days employed by Franchisor, Franchisee or an affiliate of Franchisor or Franchisee as a supervisory or managerial employee, or otherwise directly or indirectly induce the person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner lender, director, officer, manager, employee consultant, representative or agent, any business that offers fresh, high quality Mexican-style food products for sale to the public and any business which looks like, copies, imitates, or operates a business similar to a La Salsa® restaurant

2 4 **Third Party Beneficiary** Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement

3 **GENERAL TERMS**

3 1 **Injunction** Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3 2 **Heirs and Successors, Entire Agreement** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisee, Recipient and Franchisor that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3 3 **No Right to Use Proprietary Marks or System** This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3 4 **Waiver and Validity** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3 5 **Headings and Gender** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3 6 **Attorneys Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

3 7 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.

3 8 **Notices** Except as otherwise expressly provided in this Agreement, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows

Any notice or demand to Franchisee shall be given to

Fax _____

With a copy to

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention Charles Rink, President
Facsimile No (949) 270 8901

Any notice or demand to Recipient shall be given to

Fax _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party

3 9 **Governing Law and Venue** This Agreement shall be interpreted and construed under the laws of California. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of California in the county in which Franchisor has its principal place of business at the time the action is initiated, or as otherwise selected by Franchisor in its sole and absolute discretion, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3 10 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date

FRANCHISEE

RECIPIENT

A _____

By

Name _____

Title _____

EXHIBIT C

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

**LA SALSA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT**

LA SALSA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

1 GRANT OF AREA DEVELOPMENT FRANCHISE	1
2 AREA DEVELOPER'S DEVELOPMENT OBLIGATION	7
3 DEVELOPMENT AREA	8
4 TERM OF AREA DEVELOPMENT AGREEMENT	8
5 PAYMENTS BY AREA DEVELOPER	10
6 EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS	10
7 ASSIGNMENT AND SUB-FRANCHISING	13
8 NON-COMPETITION	17
9 TERMINATION	18
10 GENERAL CONDITIONS AND PROVISIONS	19
11 DISPUTE RESOLUTION	22
12 SUBMISSION OF AGREEMENT	24
13 AREA DEVELOPER	24
14 ACKNOWLEDGEMENTS	26

EXHIBITS

EXHIBIT A	DEVELOPMENT AREA
EXHIBIT B	DEVELOPMENT OBLIGATIONS
EXHIBIT C	ENTITY INFORMATION DISCLOSURE

**LA SALSA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT**

THIS LA SALSA AREA DEVELOPMENT AGREEMENT (thus "Agreement") is made and entered into this ____ day of _____, 20____, (the 'Effective Date') by and between La Salsa Franchise, LLC, a Delaware limited liability company ("Franchisor") and _____, a(n) _____ ('Area Developer') with reference to the following facts

A As a result of the expenditure of time, skill effort and money, Franchisor has developed and owns a unique and distinctive system ('System') relating to the development, establishment and operation of quick service La Salsa® 'taqueria' restaurants (the "Restaurants"). The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress, business methods, technical knowledge standards and specifications for equipment, equipment layouts, supplies and menus (including food and beverage designations, food presentation, special recipes, and quality and quantity standards) and other **Confidential Information**, operating procedures for sanitation, maintenance and food and beverage storage, preparation and service, and methods and techniques for inventory and cost controls, recordkeeping and reporting, personnel management, training, purchasing, sales, promotion and advertising. The System and its components may be changed, improved, and further developed by Franchisor from time to time.

B Franchisor identifies the System by means of certain names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively the 'Marks') which Franchisor has designated or may in the future designate for use with the System. The Marks used to identify the System, including the principal Marks, may be modified by Franchisor and/or its affiliates, from time to time. Franchisor continues to develop, use and control the use of these Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System's high standards of quality, appearance and service.

C Franchisor desires to expand and develop the Restaurants in the **Development Area**" (as defined in Section 11(a) below), and Area Developer wishes to develop La Salsa® Restaurants in the Development Area, upon the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED

1 GRANT OF AREA DEVELOPMENT RIGHTS

1.1 Grant of Area Development Rights

(a) Upon the terms and subject to the conditions of this Agreement, Franchisor hereby grants to Area Developer, and Area Developer hereby accepts the right and obligation, during the Term (defined below), to develop La Salsa® Restaurants solely at Venues (defined below) in the geographic area defined in Exhibit A, which is attached to this Agreement and by this reference made a part of this Agreement (the 'Development Area'). An increase or decrease in the size of the cities, counties or political subdivisions, if any, included within these boundaries shall have no effect on the Development Area as it is described in Exhibit A.

(b) To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same, Area Developer acknowledges and agrees that no right or license is granted to Area

Developer under this Agreement to use any trademarks, trade names, service marks, logotypes, insignias, trade dress or designs owned by Franchisor, such right and license being granted solely pursuant to Franchise Agreements executed pursuant to this Agreement. Without limiting the generality of the foregoing, nothing in this Agreement shall permit Area Developer to own or operate a La Salsa® Restaurant, except pursuant to duly executed and subsisting Franchise Agreement. Area Developer shall not use such trademarks, trade names, service marks, logotypes, insignias, trade dress or designs in any manner or for any purpose, including in connection with any offering of securities or any request for credit, without the prior express written approval of Franchisor.

12 Exclusivity

(a) During the Term of this Agreement Franchisor and its Affiliates shall not operate or grant a license or franchise to any other person to operate a La Salsa® Restaurant at any Venue within the Development Area.

(b) Except as provided in Section 12(a), Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates (defined below), representatives, licensees, assigns, agents and others, (i) to own or operate and to franchise or license others to own or operate restaurants under names other than La Salsa® at any location whatsoever and La Salsa® Restaurants which are located at any Express Venue even if located within the Development Area, and regardless of their proximity to any La Salsa® Restaurant developed or under development or consideration by Area Developer, and (ii) to produce, license, distribute and market La Salsa® brand named products, and products bearing other marks including food and beverage products, clothing, souvenirs and novelty items, at or through any location or outlet, including grocery stores and convenience stores (including those which may be located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, Internet marketing and other distribution methods.

13 Certain Definitions In this Agreement, the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

'Additional Development Notice' shall have the meaning set forth in Section 4.2 of this Agreement.

"Additional Development Obligation" shall have the meaning set forth in Section 4.3(b) of this Agreement.

'Affiliate' when used in this Agreement in connection with Franchisor or Area Developer includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Franchisor or Area Developer, as applicable. Without limiting the foregoing, the term **'Affiliate'** when used in this Agreement in connection with Area Developer includes any Entity twenty percent (20%) or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold twenty percent (20%) or more of the Equity or voting control of Area Developer. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Area Developer, the term **'Affiliate'** shall not include or refer to Franchisor or that Affiliate (the **'Franchisor Affiliate'**), and no obligation or restriction upon an **"Affiliate"** of Area Developer, shall bind Franchisor, or

said Franchisor's Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors or managers

Applicable Law means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, governing the operation of a Restaurant, including all labor, immigration, disability, food and drug laws and regulations, as in effect on the Effective Date of this Agreement, and as may be amended, supplemented or enacted from time to time

Assignment shall have the meaning set forth in Section 7.3(a) of this Agreement

Authorized La Salsa® Products means the specific Mexican-style foods products, salsa products, tortillas, beverages and other food items and ancillary related products, which may include books, cups, coolers, hats, t-shirts and novelty items, as specified by Franchisor from time to time in the Manuals, or as otherwise directed by Franchisor in writing, for sale at the Restaurants, prepared, served, sold and/or manufactured in strict accordance with Franchisor's recipes, standards and specifications, including specifications as to ingredients, brand names, preparation and presentation

Competitive Activities means to, own, operate, lend to, advise, be employed by or have any financial interest in (i) any Mexican-style restaurant or (ii) any business that engages in the production or sale at retail or wholesale of any salsa, Mexican-style food product or any other featured menu item which is now or in the future an Authorized La Salsa® Product, other than a La Salsa® Restaurant operated pursuant to a validly subsisting Franchise Agreement with Franchisor. Notwithstanding the foregoing, **Competitive Activities** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Entity

Confidential Information includes without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Area Developer, or of which Area Developer may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the

subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential Confidential Information does not include any information that was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Area Developer after receiving it has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer, or is shown by acceptable evidence to have been independently developed by Area Developer

'Default' or **default** means any breach of, or failure to comply with, any of the terms or conditions of an agreement

'Development Area' shall have the meaning set forth in Section 1.1 of this Agreement

'Development Period' means each of the time periods indicated on Exhibit B during which Area Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate La Salsa® Restaurants in accordance with the Development Obligation

'Development Obligation' shall mean the Area Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Restaurants set forth in Exhibit B to this Agreement within each Development Period and, if applicable, within the geographic areas specified therein

'Director of Operations' shall have the meaning set forth in Section 13.2(b) of this Agreement

'Disclosure Document' shall have the meaning set forth in Section 6.2(c)

'Entity' means any limited liability company, Partnership, trust, association, corporation or other entity which is not an individual

'Equity' means capital stock, membership interests, Partnership Rights or other equity ownership interests of an Entity

'Express Venue' means a site, venue or location within another primary business or in conjunction with other businesses or at institutional settings, including toll roads hotels and motels, casinos, stadiums, arenas, airports, train stations, bus stations Indian reservations, colleges and universities, recreational theme parks, schools, hospitals, military and other governmental facilities, office or in plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider

'Final Acceptance' shall have the meaning set forth in Section 6.2(a) of this Agreement

'Franchise Agreement' means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to own and operate a single Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time

Force Majeure means any event that is reasonably unforeseeable as of the date of this Agreement and that is beyond the reasonable control, directly or indirectly, of a party, the effects of which could not reasonably be prevented or avoided by that party with the exercise of commercially reasonable efforts and due diligence and which event does not result from the party's fault or negligence or the fault or negligence of its agents, employees or subcontractors and which event causes that party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement and subject to the satisfaction of the foregoing criteria, shall include (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance (d) unilateral governmental action impacting restaurants generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a party foregoing 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. Provided, however that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord, or other person shall be an event of Force Majeure under this Agreement except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Area Developer's financial inability to perform or Area Developer's insolvency shall not be an event of Force Majeure under this Agreement. The particular time period to which the event of Force Majeure applies shall be extended by an amount of time equal to the time period during which the Force Majeure shall have existed. The Party claiming the extension by Force Majeure shall continue to provide the other Party with updates and all information as may be requested by the other Party, including that Party's progress and diligence in responding to and overcoming the Force Majeure.

'Governmental Authority' means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

Initial Franchise Fee" shall have the meaning set forth in Section 5.2 of this Agreement.

Manuals means Franchisor's operations and training manuals, and any other written directive related to the System, as the same may be amended and revised from time to time including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

'Minimum Evaluation Requirements' means that Area Developer and each of its Affiliates which have developed or operate Restaurants in the Development Area (i) must have received 'Excellent' rating for at least five (5) of the six (6) consecutive monthly evaluations preceding the date on which Area Developer's delivers its Site Review Request to Franchisor, for each and every La Salsa® Restaurant then being operated by Area Developer, and any Affiliate of Area Developer which have developed or operate Restaurants in the Development Area (ii) may not have received more than one 'RIA' (**Requires Immediate Attention**) ratings during the same six (6) month period for any such La Salsa® Restaurant.

"Operating Principal" means _____, or such other individual hereafter designated by Area Developer and accepted by Franchisor (and until subsequently disapproved by Franchisor), to serve as the authorized representative of Area Developer, who Area Developer acknowledges and agrees shall act as Area Developer's representative, and shall have the authority to act on behalf of Area Developer during the Term.

'Owner' means each of the individuals listed on Exhibit C and each future direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of Area Developer. If Area Developer is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Area Developer's payment and performance of its obligations under this Agreement under Franchisor's Then-current form of Guarantee, except that if Franchisor or any Affiliate of Franchisor has any ownership interest in Area Developer, the term "Owner" shall not include or refer to Franchisor or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the 'Area Developer', or its Owners shall bind Franchisor, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

'Partnership Rights' means voting power, property, profits or losses, or partnership interests of a Partnership.

"Partnership" means any general partnership, limited partnership or limited liability partnership.

Preliminary Acceptance shall have the meaning set forth in Section 6.1(b) of this Agreement.

"Purchase Option" shall have the meaning set forth in Section 7.3(d) of this Agreement.

'Restricted Persons' means the Area Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members of each of the foregoing who are individuals.

Site Review Request' shall have the meaning set forth in Section 6.1.

Sub-Urban Area" means any geographical area which is not an Urban Area.

'System' means Franchisor's operating methods and business practices related to a Restaurant, and the relationship between Franchisor and its franchisees, including interior and exterior Restaurant design, other items of trade dress, specifications of equipment, fixtures, and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotion standard operating and administrative procedures, restrictions on ownership, management and technical training programs, and marketing and public relations programs, all as Franchisor may modify the same from time to time.

Term" shall have the meaning set forth in Section 4.1 of this Agreement.

Then-current as used in this Agreement and applied to the Disclosure Document, an Area Development Agreement and a Franchise Agreement means the form of agreement then currently provided by Franchisor to similarly situated prospective Baja Fresh area developers, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Baja Fresh area developer or a franchisee, or as the context of this Agreement indicates, the fees then currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like.

Urban Area" means a geographical area within a one (1) mile radius surrounding a La Salsa® Restaurant within which not less than 100,000 individuals work and live, as determined by Franchisor in its judgment.

"Venue" means any site other than an Express Venue

2 AREA DEVELOPER'S DEVELOPMENT OBLIGATION

To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same

2.1 Development Obligation

(a) Within each Development Period specified in Exhibit B, Area Developer shall construct, equip, open and thereafter continue to operate at, and only at, Venues within the Development Area, not less than the cumulative number of Restaurants required by the Development Obligation for that Development Period

(b) Restaurants developed under this Agreement which are open and operating and which have been assigned to Affiliates of Area Developer in accordance with Section 7.2(b) with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 7.2(b)

2.2 Timing of Execution of Leases and Franchise Agreements Notwithstanding anything to the contrary contained in this Agreement, on or before the date which is one hundred eighty (180) days before the end of each Development Period, Area Developer shall have executed (in accordance with this Agreement) a lease (or purchase agreement) and Franchise Agreement and paid the required Initial Franchise Fee, for each Restaurant which is required to be constructed, equipped, opened and thereafter operated by the end of such Development Period

2.3 Force Majeure

(a) Neither Party will be in default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. Subject to Area Developer's continuing compliance with Section 2.3(b), if Area Developer is unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 6.2 of this Agreement, which results in the inability of Area Developer to construct or operate the La Salsa® Restaurants in all or substantially all of the Development Area pursuant to the terms of this Agreement, the particular Development Period during which the event of Force Majeure (or Franchisor's legal disability to deliver a Disclosure Document) occurs shall be extended by an amount of time equal to the time period during which the Force Majeure (or Franchisor's legal disability to deliver a Disclosure Document) shall have existed during that Development Period. Development Periods during which no such Force Majeure (or legal disability) existed shall not be extended. Other than as a result of Force Majeure, any delay in Franchisor's issuance of acceptance of any site under Article 6, including, as a result of Area Developer's failure to meet the Minimum Evaluation Requirements, or Area Developer's failure to satisfy the other conditions set forth in Section 6.4 of this Agreement, shall not extend any Development Period.

(b) In the event of the occurrence of an event constituting Force Majeure, Area Developer shall notify Franchisor in writing within five (5) days following commencement of the alleged Force Majeure of the specific nature and extent of the Force Majeure, and how it has impacted Area Developer's performance under this Agreement. Area Developer shall continue to provide Franchisor with updates and all information as may be requested by Franchisor, including Area Developer's progress and diligence in responding to and overcoming the Force Majeure.

2.4 **Area Developer May Not Exceed The Development Obligation** Unless Franchisor shall otherwise consent in writing, Area Developer may not construct, equip, open and operate more than the total number of La Salsa® Restaurants comprising the Development Obligation.

3 **DEVELOPMENT AREA**

3.1 **Franchisor's Right to Develop** Notwithstanding Section 2.1 above, if during the Term of this Agreement, Area Developer is unable or unwilling, or fails for any reason (except due to Force Majeure as provided in Section 2.3), to satisfy the Development Obligation, this Agreement shall automatically terminate upon notice by Franchisor to Area Developer. Upon such termination, Franchisor may, but has no obligation to, open and operate, or license others to (or grant others development rights to) open and operate, La Salsa® Restaurants at any site(s) within or outside of the Development Area, regardless of their proximity to the Restaurants.

3.2 **No Protected Territory for Individual Restaurant**. Each Franchise Agreement executed pursuant to this Agreement shall provide that Area Developer is not granted any protected or exclusive territory whatsoever under such Franchise Agreement.

4 **TERM OF AREA DEVELOPMENT AGREEMENT**

4.1 **Term** The term of this Agreement shall commence on the Effective Date and, unless otherwise negotiated, terminated or extended as provided in this Agreement, shall continue until the earlier of (i) the fifth anniversary of the Effective Date or (ii) the date of execution of the Franchise Agreement granting Area Developer the right to open the last La Salsa® Restaurant necessary for Area Developer to fully satisfy the Development Obligation (the "**Term**").

4.2 **Limited Additional Development Right** If Area Developer shall determine that it desires to engage in further development of the Development Area in excess of the Development Obligation, Area Developer shall at the earlier of (i) one hundred and eighty (180) days prior to the scheduled expiration of the Term or (ii) the date on which acceptance of the proposed site for the last Restaurant required to meet the Development Obligation is issued, notify Franchisor in writing (**Additional Development Notice**) of Area Developer's desire to develop additional Restaurants in the Development Area and a plan for such development over a new term, setting forth the number of proposed Restaurants and the deadlines for the development of each of them within such proposed term. This right of additional development by Area Developer shall be exercised only in accordance with Section 4.3 and is subject to the conditions set forth in Section 4.4. This Agreement is not otherwise renewable.

4.3 **Exercise of Right of Additional Development**

(a) If Franchisor determines the additional development obligation proposed by the Additional Development Notice is unacceptable in any respect(s), Franchisor and Area Developer shall (subject to Section 4.4) negotiate during the following sixty (60) days in an effort to reach a mutually agreeable additional development obligation. Each party may negotiate to protect its own interests as it deems appropriate in its discretion.

(b) If the additional development obligation proposed by the Additional Development Notice is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative additional development obligation (the "**Additional Development Obligation**") within said sixty (60) day

period, then Franchisor shall deliver to Area Developer a copy of Franchisor's Then-current disclosure document, if required by Applicable Law, and two copies of the Then-current area development agreement, which may vary substantially from this Agreement, setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Franchisor's delivery of the said area development agreement, but no sooner than immediately after the expiration of any applicable waiting period(s) prescribed by Applicable Law, Area Developer shall execute two copies of the area development agreement and return them to Franchisor together with the applicable development fee for the Restaurants required by the Additional Development Obligation. If Area Developer has so executed and returned the copies and has satisfied the conditions set forth in Section 4.4, Franchisor will execute the copies and return one (1) fully executed copy to Area Developer.

4.4 Conditions to Exercise of Right of Additional Development Area Developer's right to additional development described in Section 4.2 shall be subject to Area Developer's fulfillment of the following conditions precedent:

(a) Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer (or the applicable Affiliate).

(b) Area Developer shall have demonstrated to Franchisor Area Developer's financial capacity to perform the Additional Development Obligations set forth in the new area development agreement. In determining if Area Developer is financially capable, Franchisor will apply the same criteria to Area Developer as it applies to prospective area developers at that time.

(c) At the expiration of each Development Period and at the expiration of the Term, Area Developer shall have opened and shall thereafter have continued to operate in the Development Area, not less than the aggregate number of La Salsa® Restaurants then required by the Development Obligation.

(d) Franchisor and Area Developer shall have executed a new area development agreement pursuant to Section 4.3.

(e) Area Developer and all Affiliates of Area Developer who then have a currently effective franchise agreement or area development agreement with Franchisor shall have executed and delivered to Franchisor a general release, or a form prescribed by Franchisor, of any and all known and unknown claims against Franchisor or its Affiliates, and their respective officers, directors, agents, shareholders and employees.

4.5 Effect of Expiration To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same, unless an Additional Development Obligation shall have been agreed upon, and a new area development agreement shall have been executed by the parties pursuant to Sections 4.2 and 4.3, following the expiration of the Term, or the sooner termination of this Agreement, (a) Area Developer shall have no further right to construct, equip, own, open or operate additional La Salsa® Restaurants which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Area Developer (or an Affiliate of Area Developer) and Franchisor which is then in full force and effect, and (b) Franchisor or its Affiliates may thereafter itself construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate La Salsa® Restaurants at any location(s) (within or outside of the Development Area), without any restriction, subject only to any territorial rights granted for any then existing La Salsa® Restaurant pursuant to a validly subsisting Franchise Agreement executed for such Restaurant.

5 PAYMENTS BY AREA DEVELOPER

5 1 Initial Franchise Fee Notwithstanding the terms of the Franchise Agreement executed for each La Salsa® Restaurant developed pursuant to this Agreement, Area Developer shall pay to Franchisor, in cash or by certified check, an initial franchise fee ("Initial Franchise Fee") of \$50,000 for each La Salsa® Restaurant to be opened as set forth on Exhibit B, which Initial Franchise Fee shall be payable upon execution by Area Developer of this Agreement. The Initial Franchise Fee is non-refundable in whole or in part. Area Developer shall open a minimum of five (5) La Salsa® Restaurants during the Term.

5 2 Continuing Royalty The Franchise Agreement executed for each La Salsa® Restaurant developed pursuant to this Agreement, shall provide that the Continuing Royalty (as defined therein) shall be equal to five percent (5%) of Gross Sales (as defined therein).

6 EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6 1 Site Review

(a) When Area Developer has located a proposed site for construction of a La Salsa® Restaurant, Area Developer shall submit to Franchisor such demographic and other information regarding the proposed site and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor (Site Review Request). Franchisor may seek such additional information as it deems necessary within twenty (20) days of submission of Area Developer's Site Review Request, and Area Developer shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Area Developer that Franchisor accepts the proposed site, within twenty (20) days of receipt of Area Developer's Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected.

(b) If Franchisor accepts the proposed site it shall notify Area Developer of its preliminary acceptance of the site ("Preliminary Acceptance"), which Preliminary Acceptance shall be subject to further analysis by Franchisor and successful negotiation by Area Developer of a final lease or purchase agreement acceptable to Franchisor, and such other conditions as Franchisor may impose.

(c) Although Franchisor may voluntarily (without obligation) assist Area Developer in locating an acceptable site for the Restaurant, neither Franchisor's said assistance, if any, nor its acceptance of any proposed site, whether initially proposed by Area Developer or by Franchisor, shall be construed to ensure or guarantee the profitable or successful operation of the Restaurant at that site by Area Developer and Franchisor hereby expressly disclaims any responsibility therefor. Area Developer acknowledges its sole responsibility for finding each site for the Restaurants it develops pursuant to this Agreement.

6 2 Delivery of Disclosure Document, Execution of Lease and Franchise Agreement

(a) Promptly following Area Developer's receipt of Preliminary Acceptance, Area Developer shall proceed to negotiate a lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed lease or purchase agreement as applicable, to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 6.4 have been included in the proposed lease or purchase agreement and in the case of a lease, that Landlord and Area Developer have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Following Franchisor's receipt of the proposed final lease or purchase agreement, as applicable, which meets Franchisor's requirements, and evidence of Area

Developer's satisfaction of all conditions set forth in Franchisor's Preliminary Acceptance and in Section 6.4, Franchisor shall notify Area Developer (**Final Acceptance**)

(b) Franchisor's review and acceptance of a lease shall not be construed to be an endorsement of such lease, confirmation that such lease complies with Applicable Law, or confirmation that the terms of such lease are favorable to Area Developer, and Franchisor hereby expressly disclaims any responsibility therefore

(c) Subject to Section 6.4 and after Preliminary Acceptance of each proposed site, Franchisor shall deliver to Area Developer a copy of Franchisor's Then-current Disclosure Document as may be required by Applicable Law (the **Disclosure Document**) and two (2) copies of the Then-current Franchise Agreement. Immediately upon receipt of the Disclosure Document, Area Developer shall return to Franchisor a signed copy of the Acknowledgment of Receipt of the Disclosure Document. Area Developer acknowledges that the new Franchise Agreement may vary substantially from the current Franchise Agreement. If Franchisor is not legally able to deliver a Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of amending any such registration, or for any reason beyond Franchisor's reasonable control, Franchisor may delay Preliminary Acceptance (or Final Acceptance) of the site for Area Developer's proposed La Salsa® Restaurant, or delivery of a Franchise Agreement, until such time as Franchisor is legally able to deliver a Disclosure Document.

(d) Within thirty (30) days after Area Developer's receipt of the Disclosure Document and the Then-current Franchise Agreement, but no sooner than immediately after any applicable waiting periods prescribed by Applicable Law have passed, Area Developer shall execute two (2) copies of the Franchise Agreement described in the Disclosure Document and return them to Franchisor together with the applicable Initial Franchise Fee. If Area Developer has so executed and returned the copies and Initial Franchise Fee and has satisfied the conditions set forth in Section 6.4 and Franchisor has issued the Final Acceptance, Franchisor shall execute the copies and return one fully executed copy of such Franchise Agreement to Area Developer.

(e) Area Developer shall not execute any lease or purchase agreement for any La Salsa® Restaurant, until Area Developer has received Final Acceptance and Franchisor has delivered to Area Developer a fully executed Franchise Agreement pursuant to Section 6.2(d). After Franchisor's Final Acceptance of the site and lease, and its delivery to Area Developer of the fully executed Franchise Agreement, Area Developer shall then procure the site pursuant to the purchase agreement or lease which has been reviewed and accepted by Franchisor, and shall forward to Franchisor within ten (10) days after its execution, one copy of the executed lease or, if purchased, the deed evidencing Area Developer's right to occupy the site. Area Developer shall then commence construction and operation of the La Salsa® Restaurant pursuant to the terms of the applicable Franchise Agreement.

6.3 Terms of Leases Each Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of a Lease, that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Area Developer's rights under the Lease if Area Developer fails to exercise any option to renew, and/or extend the term of the Lease, (iii) upon Area Developer's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Area Developer and the Landlord, (v) Area Developer shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor, and (vi) Franchisor shall have the right to enter the Franchised Location to remove all

of the Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a La Salsa® Restaurant if Area Developer fails to do so. In lieu of including these provisions in the Lease, Franchisor, Area Developer and the Landlord shall execute an Option to Obtain Lease Assignment in the form specified by Franchisor at the time the Lease is executed by Area Developer and the Landlord. If Franchisor elects to succeed to Area Developer's rights under the Lease, Area Developer shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

6.4 Condition Precedent to Franchisor's Obligations To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same, Area Developer acknowledges and agrees that as a condition precedent to Franchisor's obligations pursuant to Sections 6.1 and 6.2, and to Area Developer's right to develop each and every La Salsa® Restaurant, that Area Developer shall have satisfied all of the following conditions precedent prior to Franchisor's acceptance of the proposed La Salsa® Restaurant and the site and lease or purchase agreement therefor, and Franchisor's execution of the Franchise Agreement therefor:

(a) Area Developer (and each of its Affiliates which have developed or operate Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all Franchise Agreements and other written agreements between Franchisor and Area Developer (or any such Affiliate of Area Developer), and must not at any time following Area Developer's submission of its Site Review Request, and until Franchisor grants its acceptance of the proposed site, be in default of any of its contractual or other legal obligations to Franchisor, or any of its Affiliates or any approved vendor or supplier, or to any federal, state, county or municipal agency.

(b) Area Developer shall have demonstrated to Franchisor in Franchisor's discretion Area Developer's financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement, including Area Developer's submission of a comprehensive management plan acceptable to, and accepted by Franchisor, which shall include among other reasonable requirements as may be established by Franchisor, an organization chart and supervisory requirements for the proposed La Salsa® Restaurant. In determining if Area Developer is financially or otherwise capable, Franchisor shall apply the same criteria to Area Developer as it applies to prospective area developers at that time.

(c) Area Developer shall continue to operate, in the Development Area, not less than the cumulative number of La Salsa® Restaurants required by the Development Obligation set forth in Exhibit B to be in operation as of the end of the immediately preceding Development Period.

(d) Area Developer and each of its Affiliates which have developed or operate Restaurants in the Development Area shall have satisfied Franchisor's Minimum Evaluation Requirements. Any dispute arising out of the terms of this paragraph, including the application of the 'Evaluation Rating' system and procedures, shall be resolved in accordance with the procedures set forth in Article 11.

(e) Area Developer, and each of its Affiliates who then has a currently effective franchise agreement or area development agreement with Franchisor, must sign a general release of any claims they may have against Franchisor, and its Affiliates, on a form prescribed by Franchisor.

(f) Area Developer shall have satisfied (or Franchisor shall have waived in writing) any conditions upon which Preliminary Acceptance was granted.

7 ASSIGNMENT AND SUB-FRANCHISING

7.1 Assignment by Franchisor This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Area Developer and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests in this Agreement, provided, however, that such transferee and successor shall expressly agree to assume Franchisor's obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an Affiliate, (ii) sell its assets, its marks, or its System outright to a third party, (iii) engage in a public offering of its securities, (iv) engage in a private placement of some or all of its securities, (v) merge, acquire other corporations, or be acquired by another corporation, or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System and/or the loss of association with or identification of La Salsa Franchise, LLC, as Franchisor under this Agreement. Area Developer specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Area Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business facilities, and to operate, franchise or license those businesses and/or facilities as La Salsa® Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation regardless of the location of these facilities (which Area Developer acknowledges may be within its Development Area, proximate thereto or proximate to any of Area Developer's restaurants). Franchisor shall be permitted to perform such actions without liability or obligation to Area Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof).

7.2 No Sub-Franchising by Area Developer

To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same

(a) Area Developer shall not offer, sell or negotiate the sale of La Salsa® Franchises to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, or otherwise sub-franchise, subcontract, sublicense, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Area Developer the right to do so. Area Developer shall not execute any Franchise Agreement with Franchisor, or construct or equip any La Salsa® Restaurant with a view to offering or assigning such Franchise Agreement or La Salsa® Restaurant to any third party.

(b) Notwithstanding Section 7.2(a), Area Developer may, with Franchisor's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant to this Agreement to a separate Entity, provided and on condition that

(i) Upon Franchisor's request, Area Developer has delivered to Franchisor a true, correct and complete copy of the transferee Entity's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Franchisor has accepted the same,

(ii) The transferee Entity's articles of incorporation or articles of organization,

bylaws, operating agreement, and partnership agreement as applicable, shall provide that its activities are confined exclusively to operating Restaurants,

(iii) Area Developer directly owns and controls not less than fifty-one percent (51%) of the Equity and voting rights of such Entity,

(iv) Such Entity is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified,

(v) The person designated by Area Developer as the Operating Principal has exclusive day-to-day operational control over such Entity,

(vi) Such Entity conducts no business other than the operation of the La Salsa® Restaurant,

(vii) Such Entity assumes all of the obligations under the Franchise Agreement as franchisee pursuant to written agreement, the form and substance of which shall be acceptable to Franchisor,

(viii) Each person or Entity comprising Area Developer, and all present and future Owners of ten percent (10%) or more (directly or indirectly), in the aggregate, of the Equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to this Agreement shall execute a written guarantee in a form prescribed by Franchisor, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other Guarantors, the full payment and performance of all of the obligations to Franchisor and to Franchisor's Affiliates under this Agreement and each Franchise Agreement executed pursuant to this Agreement (for purposes of determining whether said ten percent (10%) threshold is satisfied, holdings of spouses, family members who live in the same household, and Affiliates shall be aggregated),

(ix) None of the Owners of the Equity of the franchisee under the applicable Franchise Agreement is engaged in Competitive Activities,

(x) At Franchisor's request, Area Developer shall, and shall cause each of its Affiliates to execute and deliver to Franchisor a general release on a form prescribed by Franchisor of any and all known and unknown claims against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees, and

(xi) Area Developer shall reimburse Franchisor for all direct and indirect costs and expense it may incur in connection with the transfer and assignment, including attorney's fees

(c) In the event that Area Developer exercises its rights under Section 7.2(b) then, Area Developer and such assignee Entity shall, in addition to any other covenants contained in the applicable Franchise Agreement affirmatively covenant to continue to satisfy each of the conditions set forth in Section 7.2(b) throughout the term of such Franchise Agreement

Assignment by Area Developer

To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same

(a) This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill and qualifications possessed by Area Developer, and Franchisor's resulting trust and confidence in Area Developer. Therefore, subject to Franchisor's right of first refusal pursuant to Section 7.3(d), neither Area Developer's interest in this Agreement nor any of its rights or privileges under this Agreement shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise ('Assignment'), in any manner without Franchisor's prior written consent, which consent may be withheld for any reason whatsoever in Franchisor's judgment. Except as provided in Section 7.2(b), Area Developer acknowledges and agrees that it will not be permitted to make an Assignment of this Agreement or sell, gift, convey, assign or transfer the assets used in any of the La Salsa® Restaurants developed under this Agreement or any Franchise Agreement executed pursuant to this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all of the assets used in all of said La Salsa® Restaurants, and all of the Franchise Agreements executed pursuant to this Agreement or at Franchisor's election the execution by the assignee of new Franchise Agreements on Franchisor's Then-current form for each of the La Salsa® Restaurants then developed or under development by Area Developer, and otherwise in accordance with the terms and conditions of Area Developer's Franchise Agreement(s).

(b) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever without the prior express written consent of Franchisor. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

(c) Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No such offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and the other participants in the offering must fully defend and indemnify Franchisor, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of \$5,000, which shall be in addition to any Transfer Fee under any Franchise Agreement or such

greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

(d) Area Developer's written request for consent to any Assignment must be accompanied by an offer to Franchisor of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party, provided that Franchisor may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by Franchisor reasonably and in good faith as the approximate equivalent value of said non-cash consideration), and provided further that Area Developer shall make representations and warranties to Franchisor customary for transactions of the type proposed (the "**Purchase Option**"). If Franchisor elects to exercise the Purchase Option, Franchisor or its nominee, as applicable, shall send written notice of such election to Area Developer within thirty (30) days of receipt of Area Developer's request. If Franchisor accepts such offer, the closing of the transaction shall occur within one hundred twenty (120) days following the date of Franchisor's acceptance. Any material change in the terms of an offer prior to closing or the failure to close the transaction within one hundred twenty (120) days following the written notice provided by Area Developer shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. Franchisor's failure to exercise such option shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer. Franchisor may assign Franchisor's right of first refusal, in its discretion to an Affiliate or third party designee.

(e) If Area Developer is an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than forty-nine percent (49%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Area Developer, (ii) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, owning less than fifty-one percent (51%) of the outstanding Equity or voting power of Area Developer, (iii) if Area Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than forty-nine percent (49%) of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner, (iv) the death or legal incapacity of any Owner owning more than forty-nine percent (49%) of the Equity or voting power of Area Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected. If Area Developer is an Entity, Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Section.

(f) If the transferee/assignee is a person whose native language is not English or who does not meet other criteria that Franchisor specifies, the transferee/assignee may first need to score sufficiently high, as determined solely by us, on a professionally-administered English language proficiency examination.

8 NON-COMPETITION

Area Developer specifically acknowledges and agrees that prior to becoming an Area Developer or franchisee of Franchisor, Area Developer had no experience, information or knowledge whatsoever about the operation of Mexican-style, fast service Restaurants or La Salsa Restaurants and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of the Restaurant under this Agreement. To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same, Area Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Confidential Information. Area Developer shall divulge such Confidential Information only to its supervisory or managerial personnel.

8.1 In Term During the Term, no Restricted Person shall in any capacity, either directly or indirectly through one (1) or more Affiliates or otherwise, (i) engage in any Competitive Activities at any location, whether within or outside the Development Area, unless Franchisor shall consent thereto in writing, (ii) divert or attempt to divert any business or any customers of any La Salsa Restaurant to any other person or Entity 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 the Marks, or (iii) employ or seek to employ any person who is or has been within the preceding thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a managerial or supervisory employee, or otherwise directly or indirectly induce such person to leave his or her employment.

8.2 Post-Term To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, (iii) the cession of any Restricted Person's relationship with Area Developer, or (iv) the entry of a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 8.2, each person who was a Restricted Person before such event shall not for a period of twenty-four (24) months thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any business engaged in Competitive Activities located at a location designated as a "Franchised Location" in a Franchise Agreement between Franchisor as franchisor, and Area Developer, or an affiliate or owner of Area Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, or within the Development Area, without Franchisor's prior written consent. In applying for such consent, Area Developer will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Franchisor or other franchisees or area developers of Franchisor.

8.3 Modification

(a) The parties have attempted in Sections 8.1 and 8.2 above to limit the Area Developer's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Sections 8.1 or 8.2 is disputed at any time by Area Developer, a court or Arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law. In addition, Franchisor reserves the right to reduce the scope of either, or both of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

(b) In view of the importance of the Marks and the incalculable and irreparable harm that would result to the parties in the event of a Default under this Article 8, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the United States federal courts sitting in Orange County, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Orange County, California.

9 TERMINATION

9.1 Bankruptcy or Insolvency Area Developer shall be deemed to be in default under this Agreement, and all rights granted to Area Developer under this Agreement shall automatically terminate without notice to Area Developer if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors, if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer if Area Developer is adjudicated as bankrupt or insolvent if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer, if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property or any part thereof, is appointed by any court of competent jurisdiction, if proceedings for a composition with creditors under any state or federal law is instituted by or against Area Developer, if a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed) if Area Developer is dissolved, if execution is levied against Area Developer's business or property, if suit to foreclose any lien or mortgage against the Restaurant(s) or assets is instituted against Area Developer and not dismissed within 30 days, or if the real or personal property of the Restaurant is sold after levy thereupon by any sheriff, marshal, or constable.

9.2 Termination Pursuant to a Default of this Agreement

(a) Subject to Applicable Law to the contrary, this Agreement may be terminated by Franchisor in the event of any Default by Area Developer of this Agreement, unless such Default is cured by Area Developer within five (5) days following written notice of the Default (in the case of a failure to pay money), or twenty (20) days following written notice of the Default (in the case of any other Default), provided that in the case of a Default by Area Developer (or its Affiliate) under any Franchise Agreement or other written agreement, the notice and cure provisions of the Franchise Agreement or other agreement shall control, and provided, further, however, that any Default described in Sections 9.1(b)(i), (ii), (v) or (vii) below shall be deemed incurable.

(b) The term 'default', as used in this Agreement, includes the following:

(i) Any Assignment or attempted Assignment in violation of the terms of Section 7.2 or 7.3 of this Agreement, or without the written consents required pursuant to this Agreement, provided, however, (1) upon prompt written request following the death or legal incapacity of an Area Developer who is an individual, Franchisor shall allow a period of up to sixty (60) days after such death or legal incapacity for his or her heirs, personal representatives, or conservators (the 'Heirs') to seek and obtain Franchisor's consent to the Assignment of his or her rights and interests in this Agreement to the Heirs or to another person acceptable to Franchisor, or (2) upon prompt written request following the death or legal incapacity of an Owner of an Area Developer which is an Entity, directly or indirectly, owning more than forty-nine percent (49%) or more of the Equity or voting power of Area Developer, Franchisor shall allow a period of up to sixty (60) days after such death or legal incapacity for his or her Heir(s) to seek and obtain Franchisor's consent to the Assignment of such

Equity to the Heir(s) or to another person or persons acceptable to Franchisor. If, within said sixty (60) day period, said Heir(s) fail to receive Franchisor's consent as aforesaid or to effect such consented to Assignment, then this Agreement shall immediately terminate at Franchisor's election.

(ii) Subject to Section 2.3 of this Agreement, failure of Area Developer to satisfy the Development Obligation within the Development Periods set forth in this Agreement.

(iii) Failure of Area Developer (or any Affiliate of Area Developer) to pay any Initial Franchise Fee or Continuing Royalty in a timely manner as required by this Agreement or any Franchise Agreement signed by Area Developer.

(iv) Area Developer's opening of any La Salsa® Restaurant in the Development Area except in strict accordance with the procedures set forth in Sections 6.1 through 6.4 of this Agreement.

(v) Failure of Area Developer to fully comply with the requirements of Section 8.1 of this Agreement.

(vi) Any Default of any other agreement between Area Developer (or any Affiliate of Area Developer) and Franchisor (or any Affiliate of Franchisor), including any Franchise Agreement executed pursuant to this Agreement.

(vii) Any Default in any obligation under this Agreement that by its nature is not capable of being cured by Area Developer.

10 GENERAL CONDITIONS AND PROVISIONS

10.1 Relationship of Area Developer to Franchisor It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Area Developer the relationship of franchisor and area developer. It is further agreed that Area Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Area Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Area Developer agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of the Restaurants, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the System that Area Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Restaurants, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of the Restaurants consistent with the policies of Franchisor. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party to this Agreement of and from any liability of any nature whatsoever by virtue thereof.

10 2 Indemnity by Area Developer Area Developer hereby agrees to protect, defend and indemnify Franchisor, and all of its past, present and future Owners, Affiliates, officers, directors, employees attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person firm or corporation or to any property arising out of or in connection with Area Developer s construction, development or operation of La Salsa® Restaurants pursuant to this Agreement, except to the extent caused by intentional acts of Franchisor in breach of this Agreement The terms of this Section 10 2 shall survive the termination, expiration or cancellation of this Agreement

10 3 No Consequential Damages For Legal Incapacity Franchisor shall not be liable to Area Developer for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Franchisor's Disclosure Document caused by legal incapacity during the Term or other conduct not due to the gross negligence or intentional misfeasance of Franchisor

10 4 Waiver and Delay No waiver by Franchisor of any Default or Defaults, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any Franchise Agreement or other agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the La Salsa® Restaurants), or to insist upon strict compliance with or performance of Area Developer s (or its Affiliates) obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Area Developer (or its Affiliates), whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the La Salsa® Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof

10 5 Survival of Covenants The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

10 6 Successors and Assigns This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement

10 7 Joint and Several Liability If Area Developer consists of more than one person or Entity, or a combination thereof the obligations and liabilities of each of such person or Entity to Franchisor are joint and several, and such person(s) or Entities shall be deemed to be general partnership

10 8 Entire Agreement This Agreement and the Exhibits incorporated into this Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement concerning the subject matter of this Agreement No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings and representations, are merged into this Agreement and superseded hereby Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement or any disclosure document for

prospective franchisees required by Applicable Law, and Area Developer agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Area Developer in the Franchise Disclosure Document or in any related document that Franchisor previously furnished to Area Developer.

10.9 Titles for Convenience Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

10.10 Gender and Construction The terms of all Exhibits to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any article or Section of this Agreement may require. As used in this Agreement, the words 'include,' 'includes' or 'including' are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor which Area Developer may be required to obtain under this Agreement may be given or withheld by Franchisor in its sole discretion. To protect the System, the Marks, the La Salsa® trade secrets, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted under this Agreement to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor and Area Developer intend that if any provision of this Agreement is susceptible to two (2) or more constructions, one (1) of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

10.11 Severability, Modification Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

10.12 Counterparts and Electronic Transmission, Electronic Signatures This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be

deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits

10 13 Fees and Expenses Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the Default of, any provision of this Agreement, whether by arbitration, judicial or quasi judicial action or otherwise, or for damages for any alleged Default of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees for the services rendered to such prevailing party

10 14 Notices Except as otherwise expressly provided in this Agreement, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail) or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows

If to Franchisor

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attn: Charles Rink, President
Facsimile No (949) 270-8901

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, CA 91436
Facsimile No (818) 981-4764

If to Area Developer

Attention _____
Facsimile No _____

Any party may change his or its address by giving ten (10) days' prior written notice of such change to all other parties

11 DISPUTE RESOLUTION

11 1 Arbitration Except as provided in Section 11 2 and except as precluded by Applicable Law, any controversy or claim between Franchisor and Area Developer arising out of or relating to this Agreement or any alleged default under this Agreement, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part of this Agreement is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one arbitrator selected by Franchisor and Area

Developer in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, (i) the proceedings shall be held in Los Angeles, California, (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Area Developer and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer, and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 11.5. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. The parties agree to be bound by the provisions of the limitations on the period of time in which claims must be brought under Applicable Law or this Agreement, whichever expires earlier. The parties further agree that, in connection with any arbitration proceeding conducted under this Agreement, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred.

11.2 Exceptions to Arbitration The arbitration provision in Section 11.1 of this Agreement shall not apply to (i) any action for injunctive or other provisional relief, including, but not limited to, enforcement of liens, security agreements, or attachments, which a party deems to be necessary or appropriate to compel the other party to comply with its obligations under this Agreement, or (ii) any action Franchisor deems to be necessary or appropriate to protect the Marks and trade secrets of Franchisor. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

11.3 Other Remedies Nothing in this Section 11 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competence jurisdiction as shall otherwise be available under Applicable Law.

11.4 Mediation Notwithstanding anything to the contrary in Section 11.1 of this Agreement, before either party may initiate any arbitration proceeding as described above (other than suits described in Section 11.3), Franchisor and Area Developer pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Franchisor and Area Developer agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Area Developer. If the parties fail to complete mediation within the forty-five (45) day period, either Franchisor or Area Developer may initiate an arbitration proceeding in accordance with Section 11.1. The fees and expenses of the mediator shall be shared equally by Franchisor and Area Developer. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute

privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Area Developer shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent legal proceeding.

11.5 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of California, except for the provisions in of Sections 8.1 through and including 8.3 of this Agreement which shall be governed by the laws of the state in which the Restaurant operated under this Agreement is located. In the event of any conflict of law, the law of the state of California shall prevail, without regard to any conflict of law principles. Nothing in this Section 11.5 is intended by the Parties to subject this Agreement to any franchise or similar law, rule or regulation of any state to which it would not otherwise be subject.

11.6 Survival The terms of this Article 11 shall survive termination, expiration or cancellation of this Agreement.

11.7 Exceptions to Mediation The mediation provisions in Section 11.4 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Area Developer to comply with Area Developer's obligations to Franchisor and/or to protect the Marks. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to mediation.

12 SUBMISSION OF AGREEMENT

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Area Developer.

13 AREA DEVELOPER

13.1 Entity Area Developer Information If Area Developer is an Entity, Area Developer represents and warrants that the information set forth in Exhibit C which is annexed to this Agreement and by this reference made a part of this Agreement, is accurate and complete in all material respects. Area Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth in Exhibit C, and shall submit to Franchisor a revised Exhibit C, which shall be certified by Area Developer as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Exhibit C. Area Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer, including providing copies of all amendments to Area Developer 'Entity Documents' as defined in Exhibit C. Area Developer shall conduct no business other than the business contemplated under this Agreement and under any currently effective Franchise Agreement between Franchisor and Area Developer. The Entity Documents of Area Developer shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in this Agreement and any Franchise Agreement executed pursuant thereto.

13 2 Operating Principal, Director of Operations

(a) The Operating Principal shall be principally responsible for communicating and coordinating with Franchisor regarding business operational and other ongoing matters concerning this Agreement and the Restaurants developed pursuant to this Agreement. The Operating Principal shall have the full authority to act on behalf of Area Developer in regard to performing, administering or amending this Agreement and all Franchise Agreements executed pursuant to this Agreement. Franchisor may but is not required to, deal exclusively with the Operating Principal in such regards unless and until Franchisor's actual receipt of written notice from Area Developer of the appointment of a successor Operating Principal, who shall have been accepted by Franchisor.

(b) Commencing on the date which Area Developer, directly or indirectly through one or more Affiliate(s), opens its second Restaurant within the Development Area, and at all times throughout the Term and the term of each Franchise Agreement executed pursuant to this Agreement after such date, Area Developer shall employ and retain, or shall cause the Entity to which each Franchise Agreement is assigned in accordance with Section 7.2 to employ and retain, an individual (the '**Director of Operations**') who shall be vested with the authority and responsibility for the day-to-day operations of all Restaurants owned or operated, directly or indirectly, by Area Developer within the Development Area. The Director of Operations shall, during the entire period he serves as such, meet the following qualifications: (a) shall devote full time and best efforts solely to operation of the all Restaurants owned or operated, directly or indirectly, by Area Developer in the Development Area and to no other business activities, (b) meet Franchisor's educational, experience, financial and such other reasonable criteria for such individual, as set forth in the Manuals as defined in this Agreement or otherwise in writing by Franchisor, and (c) be an individual acceptable to Franchisor. The Director of Operations, may (but need not) be an Owner, and with the prior written consent of Franchisor, may be the same individual as the Operating Principal. The Director of Operations shall be responsible for all actions necessary to ensure that all Restaurants owned or operated, directly or indirectly, by Area Developer in the Development Area are operated in compliance with this Agreement, all Franchise Agreements therefor and the Manuals. If, during the Term of this Agreement or any Franchise Agreement executed pursuant to this Agreement, the Director of Operations is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section (including Franchisor's subsequent disapproval of such person), Area Developer shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Director of Operations ceases to serve, such replacement being subject to Franchisor's approval.

(c) Area Developer shall notify Franchisor in writing at least ten (10) days prior to employing the Director of Operations setting forth in reasonable detail all information reasonably requested by Franchisor. Franchisor's acceptance of the Operating Principal and Director of Operations, shall not constitute Franchisor's endorsement of such individual or a guarantee by Franchisor that such individual will perform adequately for Area Developer or its Affiliates, nor shall Franchisor be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance.

13 3 Business Practices

(a) Neither Area Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("**Patriot Act**") and any amendments or successors thereto.

(b) Neither Area Developer nor any of its Owners or the employees of either of them is

named as a "Specially Designated Nationals' or 'Blocked Persons' as designated by the United States Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/" Area Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Area Developer or any of its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Area Developer agrees that it will notify Franchisor in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

(c) Area Developer represents that it understands and have been advised by legal counsel on the requirements of the applicable laws referred to above including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledges the importance to Franchisor, the System and the parties' relationship of their respective compliance with any requirement to report or provide access to information to Franchisor or any government, that is made part of Applicable Law. Area Developer shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

14 ACKNOWLEDGMENTS

14.1 General Area Developer, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Franchisor expressly disclaims making, and Area Developer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses or success of the business venture contemplated by this Agreement.

14.2 Independent Investigation Area Developer acknowledges that Area Developer has conducted an independent investigation of the business franchised under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Area Developer and if an Entity, its Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

14.3 Copy of Agreement Area Developer acknowledges that it received a copy of this Agreement, the Exhibit(s) to this Agreement, and agreements relating to this Agreement, if any, with all of the blank lines therein filled in, at least seven (7) calendar days prior to the date on which this Agreement was executed.

14.4 Opportunity to Consult Area Developer acknowledges that it has read and understood this Agreement, the Exhibits to this Agreement, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

14.5 Franchise Disclosure Document Area Developer acknowledges that it has received a copy of the complete La Salsa Franchise, LLC Franchise Disclosure Document which contains a copy of this Area Development Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was

executed Area Developer acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Area Developer which are inconsistent with the terms of this Agreement or Franchisor's Disclosure Document, concerning the profitability or likelihood of success of the Restaurant at the Franchised Location, that he has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Area Developer's business ability and aptitude is primary in determining his success

14.6 Atypical Terms Area Developer acknowledges and agrees that Franchisor may modify the offer of its area development rights to other La Salsa® area developers in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that all Area Development Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Area Development Agreements previously executed or executed after the date of this Franchise Agreement with other La Salsa® franchisees in a non-uniform manner.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date first shown above.

FRANCHISOR

La Salsa Franchise, LLC,
A Delaware limited liability company

By _____
Charles Rink, its President

AREA DEVELOPER

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

**EXHIBIT A
DEVELOPMENT AREA**

The Development Area* is defined as the territory within the boundaries described below

* If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street highway, freeway or other roadway, or river, stream, or tributary

FRANCHISOR

La Salsa Franchise, LLC,
A Delaware limited liability company

By _____
Charles Rink, its President

AREA DEVELOPER

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

EXHIBIT B
DEVELOPMENT OBLIGATIONS

DEVELOPMENT PERIOD ENDING	CUMULATIVE NO OF RESTAURANTS TO BE IN OPERATION
---------------------------	--

[illegible]

TOTAL _____

FRANCHISOR

La Salsa Franchise, LLC,
A Delaware limited liability company

By Charles Rink, its President

AREA DEVELOPER

- ☐ A _____ corporation,
☐ A _____ limited liability company,
☐ A _____ general partnership,
☐ A _____ limited partnership
☐ An individual
☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

EXHIBIT C
ENTITY INFORMATION

Area Developer represents and warrants that the following information is accurate and complete in all material respects

- (i) Area Developer is a (check as applicable)
- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify) _____

State of incorporation/organization _____

Entity name _____

- (ii) Area Developer shall provide to Franchisor concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation Bylaws, Operating Agreement, Regulations Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ('Entity Documents ')

- (iii) Area Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer

- (iv) The name and address of each of Area Developer's owners, members or general and limited partner

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(v) There is set forth below the names, and addresses and titles of Area Developer's principal officers or partners who will be devoting their full time to the Business

NAME

ADDRESS

(vi) The address where Area Developer's Financial Records, and Entity Documents are maintained is

(vii) The **Operating Principal** is _____

(viii) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the partners, shareholders and members of Area Developer and the ownership of Area Developer upon demand by Franchisor. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in the Area Development Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

FRANCHISOR

La Salsa Franchise, LLC,
A Delaware limited liability company

By _____
Charles Rink its President

AREA DEVELOPER

[] A _____ corporation,
[] A _____ limited liability company,
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

EXHIBIT D

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

ASSET PURCHASE AGREEMENT

LA SALSA FRANCHISE, LLC

ASSET PURCHASE AGREEMENT

LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT
TABLE OF CONTENTS

SECTION	TITLE	PAGE
1	INCORPORATION OF RECITALS	1
2	PURCHASE AND SALE	1
3	PURCHASE PRICE FOR ASSETS	2
4	LIABILITIES OF RESTAURANT	4
5	INITIAL TRAINING AGREEMENT FRANCHISE AGREEMENT AND SUBLEASE	4
6	THE ESCROW AND THE CLOSING DATE	5
7	REPRESENTATIONS AND WARRANTIES OF SELLER	5
8	REPRESENTATIONS AND WARRANTIES OF BUYER	7
9	OTHER AGREEMENTS	10
10	CONDITIONS PRECEDENT TO BUYER'S PERFORMANCE	12
11	CONDITIONS PRECEDENT TO SELLER'S PERFORMANCE	13
12	OBLIGATIONS ON THE CLOSING DATE	14
13	INDEMNIFICATION	14
14	TERMINATION	15
15	POST CLOSING OBLIGATIONS OF BUYER	16
16	BROKER'S FEES	16
17	SURVIVAL OF REPRESENTATIONS AND WARRANTIES	16
18	DISPUTE RESOLUTION	17
19	GENERAL	18
20	ACKNOWLEDGMENTS	21
21	ANTI-TERRORISM LAWS	22
	SIGNATURES	23

ATTACHMENTS

ATTACHMENT A	RESTAURANT
ATTACHMENT B	FRANCHISE LOCATION, MASTER LEASE AND MASTER LANDLORD
ATTACHMENT C	INITIAL TRAINING AGREEMENT
ATTACHMENT D	FRANCHISE AGREEMENT
ATTACHMENT E	SECURED PROMISSORY NOTE
ATTACHMENT F	SECURITY AGREEMENT
ATTACHMENT G	SUBLEASE
ATTACHMENT H	GUARANTEES
ATTACHMENT I	ASSUMPTION AGREEMENT
ATTACHMENT J	BILL OF SALE
ATTACHMENT K	GENERAL RELEASE
ATTACHMENT L	PRELIMINARY BUSINESS PURCHASE AGREEMENT
	SCHEDULES
SCHEDULE 2(a)(i)	EQUIPMENT
SCHEDULE 2(a)(ii)	SERVICE AGREEMENTS
SCHEDULE 2(a)(iii)	INVENTORY
SCHEDULE 2(a)(iv)	LICENSES
SCHEDULE 2(a)(v)	TELEPHONE NUMBERS
SCHEDULE 3(g)	ALLOCATION OF PURCHASE PRICE
SCHEDULE 3(h)	RENT AND ESTIMATED EXPENSES
SCHEDULE 4(b)	ASSUMED LIABILITIES
SCHEDULE 7(f)	FINANCIAL STATEMENTS
SCHEDULE 7(l)	LITIGATION
SCHEDULE 7(m)	OTHER CONTRACTS
SCHEDULE 7(n)	EMPLOYEES
SCHEDULE 7(o)	VIOLATIONS

LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this **Agreement**) is made this ____ day of _____, _____, by and between LAS ACQUISITION LLC, a Delaware limited liability company (**Seller**"), on the one hand, and _____ a _____ (**Buyer**"), on the other hand, with reference to the following facts

A Seller owns and operates the La Salsa® Restaurant known as La Salsa #_____ described on **Attachment A** attached to this Agreement and incorporated into this Agreement by reference (the **'Restaurant'**)

B Seller leases the premises and improvements at the site of the Restaurant (the **Franchised Location**) under a Lease (the **"Master Lease"**) with the landlord (the **Master Landlord**) described on **Attachment B** attached to this Agreement and incorporated into this Agreement by reference

C Seller desires to sell to Buyer and Buyer desires to purchase from Seller all of the assets owned or used by Seller in the operation of the Restaurant which are more fully described in Section 2(a) of this Agreement Seller further desires to operate the Restaurant as a La Salsa® Restaurant under a Franchise Agreement with La Salsa Franchise, LLC, a Delaware limited liability company (**Franchisor**'), the Franchisor of La Salsa® Restaurants, substantially in the form of **Attachment D** attached to this Agreement and incorporated into this Agreement by reference (the **'Franchise Agreement'**) Seller further desires to sublease the Franchised Location to Buyer and Buyer desires to sublease the Franchised Location from Seller under a Sublease substantially in the form of **Attachment G** attached to this Agreement and incorporated into this Agreement by reference (the **Sublease**)

D On _____, _____, Seller and Buyer entered into a Preliminary Business Purchase Agreement for the Restaurant (the **"Preliminary Business Purchase Agreement"**) Seller and Buyer desire to enter into this Agreement to provide for these transactions on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 **INCORPORATION OF RECITALS**

The Recitals set forth in Paragraphs A through D of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement

2 **PURCHASE AND SALE**

a **The "Assets"** On the **'Closing Date'** (as defined in Section 6(b) of this Agreement), Seller shall sell, convey, transfer, assign and deliver to Buyer and Buyer shall purchase from Seller, all of the assets of the Restaurant listed on Schedules 2(a)(i) to 2(a)(v) attached to this Agreement and incorporated into this Agreement by reference (collectively the **'Assets'**) Each reference in this Agreement to the **"Assets"** of the Restaurant shall mean and refer to the following:

(i) All of the fixtures, equipment, signs and other tangible assets of the Restaurant (the 'Equipment') as more fully described on Schedule 2(a)(i) attached to this Agreement and incorporated into this Agreement by reference

(ii) All of the service agreements for the Restaurant as more fully described on Schedule 2(a)(ii) attached to this Agreement and incorporated into this Agreement by reference (the "Service Agreements") and the Other Contracts as more fully described in Section 7(m) of this Agreement

(iii) All of the useable stock-in-trade, retail inventory and supplies located at the Restaurant as described more fully on Schedule 2(a)(iii) (the "Inventory") attached to this Agreement and incorporated into this Agreement by reference

(iv) All licenses and permits maintained by Seller and used by Seller in the operation of the Restaurant, to the extent that they are transferable, as more fully described on Schedule 2(a)(iv) (the Licenses) attached to this Agreement and incorporated into this Agreement by reference

(v) All telephone numbers and facsimile numbers for the Restaurant as more fully described on Schedule 2(a)(v) attached to this Agreement and incorporated into this Agreement by reference

b Excluded Assets The following assets shall be excluded from this transaction (the Excluded Assets)

(i) All cash in banks and other financial institution accounts associated with the Restaurant

(ii) The business records which relate to the operations of the Restaurant for all periods prior to the Closing Date (the 'Business Records'), subject, however, to Section 9(e) of this Agreement

(iii) All refunds of federal, state or local income or franchise taxes or worker s compensation insurance premiums due Seller as of the Closing Date

(iv) All intellectual property rights of Seller

c Inventory Seller shall have the right to amend and update Schedule 2(a)(iii) up to the Closing Date to accurately reflect the useable Inventory on hand at the Restaurant on the Closing Date, as determined by Seller in its sole discretion On the Closing Date, Seller shall deliver to Buyer a final version of Schedule 2(a)(iii) that accurately reflects the useable Inventory in the Restaurant on the Closing Date, as determined by Seller in its sole discretion Each version of Schedule 2(a)(iii) shall, in addition to listing the Inventory, state the updated aggregate 'Inventory Consideration' (as defined in Section 3(a) of this Agreement) for the Inventory listed on Schedule 2(a)(iii) The Inventory shall be valued at Seller's actual cost for the same

3 PURCHASE PRICE FOR ASSETS

a Purchase Price The aggregate purchase price for the Assets (the 'Purchase Price') shall be the sum of \$_____ plus the value of the Inventory listed on the final version of Schedule 2(a)(iii) (the "Inventory Consideration") plus the amount of cash in the change fund at the Restaurant on the Closing Date plus the sum of \$_____ as payment for Seller's security deposits now held on account by the Master Landlord under the Master Lease as more fully described on

Attachment B (the 'Security Deposits') For purposes of the "Closing" (as defined in Section 6(b) of this Agreement), Seller and Buyer agree, subject to Section 3(b) below, that the Inventory Consideration is \$_____

b **Inventory Consideration** Within two (2) days after the Closing Date, Seller shall inform Buyer of the actual Inventory Consideration, determined in accordance with Section 2(c). If the actual Inventory Consideration is greater than \$_____ in the aggregate, Buyer shall pay Seller within five (5) business days thereafter an additional amount equal to the difference between the actual Inventory Consideration and \$_____. If the actual Inventory Consideration is less than \$_____ in the aggregate, Seller shall pay Buyer within five (5) business days thereafter an amount equal to the difference between \$_____ and the actual Inventory Consideration.

c **Deposits and Cash Payments** Contemporaneous with the parties' execution of this Agreement, Buyer shall deposit the sum of \$_____ (the "Initial Deposit") with the "Escrow Holder" described in Section 6(a) of this Agreement as a deposit against the Purchase Price. [If Buyer is purchasing a new La Salsa® Restaurant or kiosk from Seller in accordance with the Turnkey Addendum to Purchase Agreement attached to this Agreement (the "Turnkey Addendum") which Seller shall construct, equip and furnish, and which is not yet opened for business (a "Turnkey Unit") as of the date of this Agreement, Buyer shall deposit the additional sum of \$100,000 (the "Additional Deposit") with the Escrow Holder at least five (5) business days before Seller's commencement of construction of the Turn Key Unit.] The Initial Deposit [is] [and the Additional Deposit are collectively referred to in this agreement as the "Deposit" and are] non-refundable, in whole or in part. On the Closing Date, Buyer shall pay Seller, through the "Escrow" described in Section 6(a) of this Agreement the remaining \$_____ of the cash portion of the Purchase Price.

d **Purchase Note** The \$_____ balance of the Purchase Price shall be evidenced by and shall be payable to Seller in accordance with the terms of Buyer's Promissory Note in the principal amount of \$_____ in substantially the form attached to this Agreement as **Attachment E** and incorporated into this Agreement by reference (the "Purchase Note").

e **Security for Purchase Note and Security Agreement** Payment of the Purchase Note shall be secured by a security interest granted by Buyer in the Assets in accordance with the Security Agreement in substantially the form attached to this Agreement as **Attachment F** and incorporated into this Agreement by reference (the "Security Agreement") which will be executed by Buyer on the Closing Date.

f **Guarantees** The performance by Buyer of Buyer's obligations under this Agreement, the Purchase Note and the Security Agreement will be personally guaranteed by _____ (the "Guarantor(s)") in accordance with the Guarantees in substantially the form attached to this Agreement as **Attachment H**, and incorporated into this Agreement by reference (the "Guarantees") which will be executed by Guarantor(s) on the Closing Date.

g **Allocation of Purchase Price** Seller and Buyer shall allocate the Purchase Price among the Assets as set forth on **Schedule 3(g)** attached to this Agreement and incorporated into this Agreement by reference, using the allocation method required by Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. Seller and Buyer each agree to report the federal, state and local income and other tax consequences of the transactions contemplated by this Agreement, and in particular to report the information required by Code Section 1060(b), in a manner consistent with such allocation and will not take any position inconsistent therewith.

h **Payments Required in Addition to Purchase Price** Buyer shall pay the following obligations on the Closing Date in addition to the Purchase Price:

- (i) The \$50,000 Initial Franchise Fee due to Franchisor
- (ii) The first month's rent and estimated monthly rent-related expenses due to Seller under the Sublease and a security deposit equal to one (1) month's rent and estimated monthly center expenses due under the Sublease as described on Schedule 3(h) attached to this Agreement and incorporated into this Agreement by reference
- (iii) All amounts attributable to **Prorations** as more fully described in Section 12(a) of this Agreement
- (iv) All closing costs payable by Buyer as more fully described in Section 12(b) of this Agreement

4 LIABILITIES OF RESTAURANT

- a **Seller's Liabilities** Except as specifically provided in Section 4(b) of this Agreement, Buyer shall not assume and shall not acquire, take over, or be responsible for any liabilities or obligations of Seller, known or unknown, relating to or arising from the operation of the Restaurant by Seller prior to the Closing Date (such liabilities or obligations not assumed by Buyer are referred to in this Agreement as "Seller's Liabilities") Seller shall pay all of Seller's Liabilities
- b **Assumed Liabilities** Buyer shall assume only those contracts, leases agreements and liabilities listed on Schedule 4(b) attached to this Agreement and incorporated into this Agreement by reference (collectively the **Assumed Liabilities**) in connection with Buyer's Operations of the Restaurant On the Closing Date, Buyer shall execute the Assumption Agreement in substantially the form of **Attachment I** attached to this Agreement and incorporated into this Agreement by reference (the "**Assumption Agreement**") with respect to the Service Agreements and the Assumed Liabilities Buyer shall pay all of the Assumed Liabilities and shall indemnify, defend and hold harmless Seller from all loss, cost, damage or expense related to the Assumed Liabilities as provided in Section 13 of this Agreement

5 INITIAL TRAINING AGREEMENT, FRANCHISE AGREEMENT AND SUBLEASE

- a **Initial Training Agreement** If the Restaurant is the first La Salsa® Restaurant to be owned and operated by Buyer, concurrently with the parties' execution of this Agreement, Buyer and Franchisor shall execute Franchisor's Initial Training Agreement in the form of **Attachment C** Buyer shall attend and complete Franchisor's Initial Training Program for franchisees offered by Franchisor (the **Initial Training Program**) to Franchisor's satisfaction, as determined by Franchisor, in its sole and absolute discretion, in order to become eligible to become a Franchisee of Franchisor
- b **Franchise Agreement** On the Closing Date, Buyer and Franchisor shall execute a Franchise Agreement for the Restaurant in the form of **Attachment D**
- c **Sublease** On the Closing Date, Buyer and Seller shall execute a Sublease for the Franchised Location in the form of **Attachment G** Seller, in its discretion, shall exert Seller's commercially reasonable best efforts to obtain the consent of the Master Landlords to the Subleases if such consents are required Buyer shall provide to the Master Landlords such financial statements and other information concerning Buyer as the Master Landlords may reasonably require to grant the Master Landlords' consent to the Subleases Buyer shall pay all costs and fees, if any, that the Master Landlords may charge in connection with the Master Landlords' determination to grant the Master Landlords' consents to the Sublease

6 **THE ESCROW AND THE CLOSING DATE**

a **Escrow Holder and Escrow** Franchisor shall deposit a fully executed copy of this Agreement with _____, **Telephone** _____, **Facsimile** _____ (the "Escrow Holder"), to the attention of _____, immediately following the parties' execution of this Agreement. Delivery of a copy of this Agreement to the Escrow Holder shall constitute the parties' authorization to the Escrow Holder to proceed with Bulk Sale Escrow Number _____ (the "Escrow") with respect to this transaction.

b **Closing and Closing Date** Unless extended in writing by Seller and Buyer, the Escrow shall close (the "Closing") on _____ (the "Closing Date"). The Closing shall take place at the offices of the Escrow Holder at 10:00 A.M. on the Closing Date. If the Closing does not occur on the Closing Date, Seller may terminate this Agreement without any liability to Buyer.

7 **REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer that except as set forth on the Schedules attached to this Agreement (each section of which qualifies the correspondingly numbered representation and warranty):

a **Due Organization and Authorization** Seller (i) is duly organized, validly existing and in good standing under the laws of the State of Delaware, and (ii) has the power and authority to enter into this Agreement and the documents referenced in this Agreement and to consummate the transactions contemplated by this Agreement and otherwise to perform Seller's obligations under this Agreement. This Agreement has been duly authorized and executed by Seller and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

b **Violation** The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated by this Agreement do not and will not (i) violate any provision of the Articles of Organization of Seller, (ii) violate any material court or administrative order, process, judgment or decree to which Seller is a party or by which it (or any of its respective properties or assets) is bound or (iii) result in the creation or imposition of any material lien, charge, pledge, security interest or other encumbrance upon the Assets pursuant to any provision of, any mortgage, lien, lease, agreement, license, or instrument to which Seller is a party or by which Seller is bound.

c **Consents** No consent or approval by, or any notification of or filing with, any person (governmental or private) is required in connection with the execution, delivery and performance by Seller of this Agreement or the consummation of the transactions contemplated by this Agreement, other than the consent of the Master Landlord as described in Section 5 of this Agreement, if the same is required by the terms of the Master Lease.

d **Assets** There are no proceedings affecting any of the Assets pending or, to the knowledge of Seller, threatened which may reasonably be expected to (i) adversely curtail the use of the Assets for the purpose for which they were acquired or the purpose for which they are now used or (ii) adversely curtail the business or operation of the Restaurant. The Assets will constitute substantially all of the assets and interests in assets that are used by Seller in the conduct of the business of the Restaurant as currently being conducted, other than the Excluded Assets.

e **Encumbrances** On the Closing Date, Seller shall have good and marketable title to the Assets, free and clear of any and all liens, claims, judgments, taxes, encumbrances, security interests, debts or other adverse claims or rights of any kind. The Escrow Holder shall provide Buyer, at Buyer's expense, with (i)

the results of a UCC search prior to the Closing Date to confirm that the Assets are in fact free and clear of any liens, claims, judgments, taxes, encumbrances, security interests, debts or other adverse claims or rights of any kind. In the event that such search shall disclose any liens, claims, judgments, taxes, encumbrances, security interests, debts or other adverse claims or rights of any kind, Seller shall exert Seller's best efforts to cause each and all of the same to be paid and/or removed on or before the Closing Date.

f **Financial Information** Seller has previously delivered to Buyer unaudited Financial Statements for the Restaurant (the "Financial Statements") for the _____ (____) month period ending on _____, _____, the _____ (____) month period ending on _____, _____, and the _____ (____) month period ending on _____, _____ (the "Reporting Period"), a copy of which Financial Statements are attached this Agreement as **Schedule 7(f)** and are incorporated into this Agreement by reference. The Financial Statements were true, correct and complete in all material respects as of the date that they were prepared and were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the Reporting Period, except as otherwise noted therein and subject (in the case of interim financial statements) to year-end audit adjustments.

g **Ordinary Course of Business** Since _____, _____ (i) Seller has operated the Assets and the Restaurant in the ordinary course, consistent with past practice, (ii) there have not been any material changes in the operations or financial condition of the Restaurant, (iii) there has not been any material asset sold or disposed of (except inventory sold in the ordinary course of business), any material Asset mortgaged, pledged or subjected to any lien, charge or other encumbrance, and (iv) there has not been any agreement by Seller to sell or transfer any Asset other than in the ordinary course of business.

h **Compliance with Laws** To the best knowledge of Seller, the Restaurant has been operated in compliance with all applicable federal, state and local laws, regulations and ordinances, including, without limitation, **Environmental Laws** (as defined below), relating to the operation of the Restaurant. For purposes of this Agreement, the term "Environmental Laws" shall mean any federal, state or local statute, ordinance, rule or regulation relating to (i) pollution or protection of the environment or (ii) exposure of persons, including employees, to toxic or hazardous substances or other products.

i **Inventory** The Inventory listed on **Schedule 2(a) (iii)** is usable and salable in the ordinary course of business. On the Closing Date, Seller shall have good and marketable title to the Inventory, free and clear of any and all liens, claims, judgments, taxes, encumbrances, security interests, debts or other adverse claims or rights of any kind.

j **Permits and Licenses** On the Closing Date, Seller shall have all permits, and governmental licenses and registrations necessary to carry on the business of the Restaurant (as presently conducted) as required by law or the rules and regulations of any federal, state, county or local governmental agency having jurisdiction over it. The Licenses are in good standing and are in full force and effect.

k **Master Lease** Seller has delivered a full and complete copy of the Master Lease to Buyer prior to the date of this Agreement. There are no written amendments to the Master Lease or other agreements between Seller and the Master Landlord reflecting the understandings between Seller and the Master Landlord under the Master Lease which have not heretofore been delivered to Buyer by Seller. There are no oral amendments or other agreements between Seller and the Master Landlord which have not been memorialized in a written instrument and expressly agreed to by Seller and the Master Landlord. Seller has not received notice of any breach or default of any material term or provision of any of the Master Lease and, to the best knowledge of Seller, Seller is not in breach or in default of any material term or provision of the Master Lease as of the date of this Agreement. Provided that the consents of the Master Landlord, if required, have been obtained, Seller has the right to sublet the Franchised Location to Buyer with the written consent of the Master Landlord and the consummation of the transactions contemplated by this Agreement will not result in

or constitute a breach of any material term or provision of the Master Lease or a default or an event which, with notice or lapse of time or both, would be a default, breach or violation of any material term or provision of the Master Lease. The Master Lease is in full force and effect as written and, on the Closing Date, Seller will be in material compliance therewith.

l **Litigation** Except as listed in **Schedule 7(l)** attached to this Agreement and incorporated into this Agreement by reference, there is no pending, or to the knowledge of Seller threatened suit, action, arbitration or legal, administrative, or other proceeding, against or affecting Seller, the Restaurant, the Assets, the Master Lease or the Licenses.

m **Other Contracts** Seller is not a party to any contracts, leases or agreements with respect to the Restaurant other than the Service Agreements described on **Schedule 2(a)(ii)** and such other contracts, leases or agreements as are set forth on **Schedule 7(m)** attached to this Agreement and incorporated into this Agreement by reference (the "Other Contracts"). There is no default or event which, with notice or lapse of time, or both, would constitute a default by any party to the Service Agreements or the Other Contracts. The Service Agreements and Other Contracts are in full force and effect as written and, on the Closing Date, Seller will be in material compliance therewith.

n **Employees** All individuals employed in a non-exempt status at the Restaurant on the Closing Date will be listed on **Schedule 7(n)** attached to this Agreement and incorporated into this Agreement by reference (the "Employees"), will be employed on an "at will" basis and will be terminated by Seller effective as of the close of business on the Closing Date. On the Closing Date, Seller will be current in the payment of all obligations and employee benefits due to such Employees and all Employees will be fully compensated with all monetary and other benefits accrued up to termination. Seller shall be solely liable and responsible for all accrued salary, vacation, and other compensation benefits payable up to the Closing Date. Seller makes no warranty, express or implied, with respect to the qualifications or character of any employee at the Restaurant. Seller shall allow Buyer an opportunity to interview each of the Employees during the week prior to the Closing Date. Buyer may tender employment to each of the Employees, such employment to commence on terms mutually satisfactory to Buyer and the respective Employees, provided, however, if Buyer, in its sole discretion, determines that one or more of the Employees is not suitable for hire by Buyer, Buyer shall in no way be obligated to tender employment to and of such Employee(s).

o **No Violation** Except as may be set forth on **Schedule 7(o)** attached to this Agreement and incorporated into this Agreement by reference, Seller has not received notice of any violation of any applicable federal, state or local statute, law or regulation (including, without limitation, any applicable Environmental Law or applicable building, zoning, health, employment or other law, ordinance or regulation) relating to or directly or materially affecting the Assets or the Restaurant and, to the best knowledge of Seller, there are no such violations by Seller.

p **Ownership of Restaurant** Seller and its affiliates have been the owners of the Restaurant during the three (3) year period preceding the date of this Agreement.

8 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that except as set forth on the Schedules attached to this Agreement (each Paragraph of which qualifies the correspondingly numbered representation and warranty):

a **Due Organization [Incorporation] and Authorization** Buyer (i) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) is qualified to conduct business in the State of _____, and (iii) has the power and authority to enter into this Agreement and the documents referenced in this Agreement and to consummate the transactions contemplated

by this Agreement and otherwise to perform Buyer's obligations under this Agreement. This Agreement has been duly authorized and executed by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

b **Violation** The execution and delivery of this Agreement by the Buyer and the consummation of the purchase of the Assets and the assumption of the Assumed Liabilities contemplated by this Agreement will not violate any material court or administrative order, process, judgment or decree to which either Buyer is a party or by which Buyer is bound.

c **Consents** No consent or approval by, or any notification of or filing with, any person (governmental or private) is required in connection with the execution, delivery and performance by Buyer of this Agreement or the consummation of the transactions contemplated by this Agreement, other than the consent of the Master Landlord, as described in Section 5 of this Agreement, if the same is required by the terms of the Master Lease.

d **Condition of Assets** Buyer will conduct an independent inspection of the Restaurant and the Assets prior to the Closing Date and will have continuing access to the Restaurant and the Assets to view and inspect the Restaurant and the Assets following the Opening Date and prior to the Closing Date. Buyer acknowledges and agrees that Buyer will fully and carefully inspect and review the Restaurant and the Assets and will make Buyer's independent determination to proceed with this transaction on the Closing Date.

e **Recognition of Business Risks** Buyer has conducted an independent investigation of the proposed franchise, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Buyer as an independent business person. Franchisor expressly disclaims the making of, and Buyer acknowledges and agrees that Buyer has not received, any warranty or guarantee, express or implied, as to the potential sales, income, profits, or success of the business venture contemplated by this Agreement, or of other Restaurants. Buyer further acknowledges and agrees that Buyer has been advised by Seller that:

(i) Buyer's costs for inventory, employee benefits, supplies, insurance and other items for the Restaurant will likely exceed Seller's costs for the same items due to advantageous pricing, rebates or bulk pricing discounts or allowances provided to Seller by its vendors because of the high volume of purchases by Seller.

(ii) The Financial Statements do not include expenditures for a number of expense items which Buyer will incur in the operation of the Restaurant as a franchisee of Franchisor, including, without limitation, royalties, institutional advertising fees, local advertising expenses, audit expenses, interest on overdue payments, accounting and professional fees, additional training expenses, web site fees and maintenance expenses, and the like.

f **Financial Statements** No employee, agent or other person speaking on behalf of Seller or Franchisor has made any statement or promise to Buyer with respect to the Financial Statements attached to this Agreement as Schedule 7(f) that:

(i) The **Sales** of the Restaurant in any period subsequent to the Reporting Period will equal or exceed the Sales of the Restaurant during the Reporting Period. Buyer acknowledges and agrees that sales will vary in the future and will depend upon many factors, including, without limitation, general economic conditions, the extent, duration and effectiveness of marketing and promotional efforts conducted by Seller, seasonal fluctuations in the purchase of food and related products by consumers, retail prices of food and related products offered at the Restaurant, variations in disposable income and population, competition in the

food business, consumer preferences, opportunities for consumers to purchase these goods from discount retailers and over the Internet, and the like

(ii) The Cost of Goods Sold of the Restaurant in any period subsequent to the Reporting Period will equal, be less than or exceed the Cost of Goods Sold of the Restaurant during the Reporting Period. Buyer acknowledges and agrees that the Cost of Goods Sold will vary in the future and will depend upon many factors, including, without limitation, general economic conditions, the availability of, and wholesale and retail prices for, ingredients used to manufacture the food products sold at the Restaurant, seasonal fluctuations in the availability of, and wholesale and retail prices for, ingredients used to manufacture the food products sold at the Restaurant, and variations in freight and other costs due to the volatility of worldwide prices for oil and oil related products, and the like

(iii) The Operating Expenses-Payroll of the Restaurant in any period subsequent to the Reporting Period will equal, be less than or exceed the Operating Expenses-Payroll of the Restaurant during the Reporting Period. Buyer acknowledges and agrees that the Operating Expenses-Payroll will vary in the future and will depend upon many factors, including, without limitation, general economic conditions, potential changes in the minimum wage laws in the State in which the Restaurant is located, increases in the costs for employee benefits for Buyer's employees, and the like

(iv) The Operating Expenses-Occupancy of the Restaurant in any period subsequent to the Reporting Period will equal, be less than or exceed the Operating Expenses-Occupancy of the Restaurant during the Reporting Period. Buyer acknowledges and agrees that the Operating Expenses-Occupancy will vary in the future and will depend upon many factors, including, without limitation, general economic conditions, rent escalation provisions in the Master Lease and Sublease, an increase in the costs of the Master Landlord to provide common area maintenance in the shopping mall in which the Franchised Location is located, an increase in real or personal property taxes resulting from a reassessment or sale, and variations in utility costs due to the volatility of worldwide prices for oil and oil related products, and the like

(v) The Other Operating Expenses of the Restaurant in any period subsequent to the Reporting Period will equal, be less than or exceed the Other Operating Expenses of the Restaurant during the Reporting Period. Buyer acknowledges and agrees that the Other Operating Expenses will vary in the future and will depend upon many factors, including, without limitation, general economic conditions, an increase in costs of insurance, postage or business licenses, repair and maintenance provisions in the Master Lease and Sublease for the Franchised Location, deferred maintenance conditions, acts of God and the like

g Receipt of Franchise Disclosure Document Buyer received a copy of the complete La Salsa Franchise, LLC Franchise Disclosure Document for La Salsa® Restaurants, which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Buyer further acknowledges that Buyer has received a copy of the complete current form of Franchise Agreement for La Salsa® Restaurants, the attachments thereto and agreements relating thereto, if any, prior to the date on which the Franchise Agreement will be executed. Buyer acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Buyer which are inconsistent with the terms of this Agreement or Franchisor's Disclosure Document, concerning the profitability or likelihood of success of the Restaurant at the Franchised Location, that Buyer has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Buyer's business ability and aptitude is primary in determining Buyer's success.

h Review of Franchise Disclosure Document Buyer has read and understood this Agreement, the attachments hereto and agreements relating thereto, if any, and that Franchisor has accorded Buyer ample time and opportunity to consult with advisors and counsel of Buyer's own choosing about the potential benefits and risks of entering into this Agreement.

i **No Representations by Seller or Franchisor** Prior to the date of Buyer's execution of this Agreement, no employee, agent or other person speaking on behalf of Seller or Franchisor made (i) any statement or promise to Buyer concerning projected revenues, profits or operating costs of a La Salsa® franchised business, (ii) any statement or promise to Buyer regarding the amount of money Buyer may earn in operating a La Salsa® franchised business, (iii) any statement or promise to Buyer concerning the total amount of revenue a La Salsa® franchised business will or may generate or (iv) any statement or promise to Buyer regarding the costs Buyer will or may incur in operating a La Salsa® franchised business

j **Atypical Arrangements** Seller may modify the terms of its offer for the sale of La Salsa® Restaurants to other buyers in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions and obligations in this Agreement. Buyer further acknowledges and agrees that Seller has made no warranty or representation that all Asset Purchase Agreements previously issued or issued after this Agreement by Seller do or will contain terms substantially similar to those contained in this Agreement. Seller may, in Seller's reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Asset Purchase Agreements previously executed or executed after the date of this Agreement with other buyers of La Salsa® Restaurants in a non-uniform manner

k **Representation by Counsel** Buyer has been represented by independent legal counsel of Buyer's own selection in connection with the review of the terms and consequences of this Agreement. On the Closing Date, Buyer shall provide Seller and Franchisor with a letter from Buyer's legal counsel in a form satisfactory to Seller attesting that Buyer's counsel has reviewed the provisions of this Agreement with Buyer, including, without limitation, the provisions of this **Section 8**

l **Ownership of Restaurant** Buyer has been advised by Seller that Seller and its affiliates have been the owners of the Restaurant during the three (3) year period preceding the date of this Agreement

9 **OTHER AGREEMENTS**

a **Condition of Equipment and Walk Through** All Assets sold pursuant to this Agreement are sold "AS IS". SELLER MAKES NO WARRANTIES WITH RESPECT TO THE ASSETS UNLESS SPECIFICALLY PROVIDED ELSEWHERE IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THOSE WITH RESPECT TO THE CONDITION OF THE ASSETS OR THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. There shall be no abatement of the Purchase Price and SELLER shall have no liability to Buyer for any claim, loss or damage as a result of any non-operating deficiency or defect in the Assets, the use or performance of the Assets, or any interruption or loss of service or of use of the Assets

b **Walk Through** Seller and Buyer shall conduct a walk through of the Restaurant on or before the Closing Date (the "Walk Through") to determine the condition of the Equipment and Seller shall prepare a written list of any repairs to be made (the "Repair List") to the Equipment at the Walk Through. The Repair List shall be the final and conclusive listing of all repairs to be made to the Equipment as of the Closing Date for all purposes and Seller shall have no responsibility whatsoever for any repairs which are not listed on the Repair List prepared at the Walk Through. Unless the parties otherwise agree, Seller will complete all repairs on the Repair List within thirty (30) days after the Closing Date. All repairs required after repairs to the items on the Repair List are completed by Seller shall be the sole and absolute responsibility of Buyer, at Buyer's own expense

c **Access to Books and Records** Buyer may, prior to the Closing Date, through its representatives, review the Business Records of the Restaurant to familiarize itself with the Assets, the Master Lease and other matters related to the Restaurant. In addition, the Business Records shall be retained by Seller in order to comply with applicable laws and taxation regulations. If, and to the extent, that Seller is no longer required to retain the Business Records, Seller shall notify Buyer of Seller's intent to destroy the Business Records and, upon written request by Buyer, shall forward the Business Records to Buyer. In addition, if, and to the extent, that Buyer needs access to the Business Records in connection with Buyer's conduct of the business of the Restaurant after the Closing Date, Seller shall cooperate with Buyer and provide Buyer with reasonable access to the information that Buyer requires and provide copies of such records to Buyer upon Buyer's written request. Buyer shall pay Seller for the actual cost for duplication of such Business Records.

d **Confidentiality** Buyer and Seller shall hold in confidence (i) all documents and information obtained from each other, their employees, agents and independent contractors, (ii) the nature and content of this Agreement and all discussions between Buyer and Seller regarding the transactions contemplated by this Agreement, whether prior to or after the execution of this Agreement, and (iii) the fact that Seller and Buyer have entered into this Agreement (all of the above shall collectively be referred to herein as "Confidential Information"), and shall not disclose or convey any of such Confidential Information to any other person, provided, however, that Buyer and Seller may disclose the Confidential Information (x) to such of their potential lenders, employees, attorneys, accountants and financial advisors as is reasonable to facilitate consummation of the transactions contemplated by this Agreement, (y) to the extent any such disclosure is required by law, and (z) to the Master Landlord and other third parties as necessary to facilitate obtaining such parties' consent to the transfer of Assets under this Agreement.

e **Seller to Operate in Ordinary Course of Business** During the period from the date of this Agreement to the Closing Date, Seller shall conduct the operations of the Restaurant only in the ordinary and usual course of business consistent with past practices.

f **Additional Actions** Subject to the terms and conditions of this Agreement, Seller and Buyer agree to use all commercially reasonable efforts to take, or cause to be taken, all commercially reasonable action and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement as promptly as reasonably practicable. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or to vest Buyer with full title to all properties, assets, rights, approvals and immunities of Seller, the proper officers, directors or employees of Seller or Buyer shall take all such commercially reasonable action.

g **Utilities** All utility and telephone service to the Restaurant shall be discontinued in Seller's name as soon as practicable after the Closing Date. Buyer shall use commercially reasonable efforts to transfer such services to Buyer's name so that there is no interruption of such services as a result of the transactions contemplated by this Agreement. Seller shall not be responsible for payment of any related charges effective, in each case, on or after the close of business on the Closing Date. In the event that Seller is required to pay any utility expenses incurred after the Closing Date, Buyer shall reimburse Seller within five (5) business days of Seller's request for such reimbursement. Similarly, if Buyer pays any costs relating to the period prior to Closing Date, Seller shall reimburse Buyer within five (5) business days of Buyer's written request for such reimbursement. In all cases, a party's request for reimbursement shall be accompanied by evidence (reasonably satisfactory to the other) that such party has incurred the expense for which such party is requesting reimbursement.

h **Transfer, Risk of Loss** Buyer shall take over and assume management and operational control of the Restaurant, shall acquire legal and beneficial ownership of the Assets related to the Restaurant, and shall assume, acquire, take over and become responsible for the Assumed Liabilities and the Service Agreements as of the Closing Date. Seller shall retain all risk of destruction, loss or damage due to fire or other casualty with respect to the Restaurant and the Assets until the Closing Date.

i **Pre-Closing Credits** Buyer shall reimburse Seller within five (5) business days of receipt of any retroactive credits or other amounts which all or partially relate to any period prior to the Closing Date (1e, a real estate tax credit arising after the Closing Date that relates to the period nine (9) months before and three (3) months after the Closing Date will be reimbursed by Buyer to Seller to the extent of seventy-five percent (75%) of such credit received by Buyer).

j **Post-Closing Charges** Seller shall reimburse Buyer within five (5) business days after receiving written notice from Buyer of any charges which all or partially relate to any period prior to the Closing Date and which are not Assumed Liabilities (1e, a real estate tax charge received from after the Closing Date that relates to the period nine (9) months before and three (3) months after the Closing Date will be reimbursed by Seller to the extent of seventy-five percent (75%) of the bill).

k **Public Announcements** Seller and Buyer shall consult with each other before issuing any press releases or otherwise making any public statements with respect to this Agreement or the transactions contemplated in this Agreement and Seller and Buyer shall not issue any such press release or make any such public statement prior to such consultation, except to the extent required by law (including, without limitation, the federal securities laws of the United States).

l **Additional Acknowledgements of Buyer** Buyer acknowledges and agrees that (i) upon Closing, except as may be specifically set forth in the Franchise Agreement executed by Buyer pursuant to Section 5 of this Agreement, Seller shall have no continuing obligation to protect, preserve or otherwise support the business conducted by the Restaurant, (ii) no promise or representations of fact or opinion other than as expressed in this Agreement have been made by Seller, or by any person on Seller's behalf, to induce Buyer to execute this Agreement, and (iii) Buyer enters into this Agreement with full knowledge and with the advice of independent legal counsel and/or other business advisors.

m **Insurance Coverage** Buyer shall be solely responsible for obtaining and maintaining public liability insurance from a responsible insurance company licensed to do business in the state in which the Franchised Location is located during the entire Term of the Franchise Agreement and the Sublease in amounts not less than those required by the Franchise Agreement, the Sublease and the Master Lease. On the Closing Date and at least ten (10) days prior to the time any insurance is first required to be carried by Buyer, and thereafter, at least thirty (30) days prior to the expiration of any policy, Buyer shall deliver to Sublessor, Franchisor and the Master Landlord Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Sublessor, Franchisor and the Master Landlord in the event of material alteration to, cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the required insurance shall name Sublessor, Franchisor and the Master Landlord, and each of their affiliates, partners, shareholders, directors, agents, members and employees as additional insureds and as additional loss payees, and shall expressly provide that any interest of each shall not be affected by any breach by Buyer of any policy provisions for which such Certificates evidence coverage.

n **Credit Report** Seller or its designee may, prior to the Closing Date, through its representatives, access and run the Buyer's credit report. In addition, if, and to the extent, that Seller needs to run Buyer's credit report in connection with the financing for the purchase of the Assets after the Closing Date and through the term of the Franchise Agreement with Franchisor, Buyer shall cooperate with Seller and

provide Seller with its consent to access and run the Buyer's credit report upon Seller's request. Buyer shall reimburse Seller for the cost of pulling any such credit reports.

10 **CONDITIONS PRECEDENT TO BUYER'S PERFORMANCE**

The obligation of Buyer to purchase the Assets on the Closing Date is subject to the receipt by Buyer of duly executed originals of the Franchise Agreement, the Sublease and a Bill of Sale for the Assets in substantially the form of **Attachment J** attached to this Agreement and a final version of **Schedule 2(a) (iii)** which shall set forth the final Inventory to be transferred pursuant to this Agreement.

11 **CONDITIONS PRECEDENT TO SELLER'S PERFORMANCE**

The obligation of Seller to sell the Assets on the Closing Date is subject to the satisfaction by Buyer of all of the conditions set forth in this Section 11.

a **Receipt on the Closing Date** On or before the Closing Date

(i) Seller shall have received one (1) duly executed original of the Purchase Note in substantially the form of **Attachment E** attached to this Agreement.

(ii) Seller shall have received three (3) duly executed originals of the Security Agreement in substantially the form of **Attachment F** attached to this Agreement.

(iii) Seller shall have received three (3) duly executed originals of the Sublease, in substantially the form of **Attachment G** attached to this Agreement as required by Section 5 of this Agreement.

(iv) Seller shall have received three (3) duly executed originals of the Assumption Agreement, in substantially the form of **Attachment I** attached to this Agreement.

(v) Seller shall have received three (3) duly executed originals of the Franchise Agreement, in substantially the form of **Attachment D** attached to this Agreement, and all related collateral documents.

(vi) Seller shall have received three (3) duly executed originals of the General Release attached to this Agreement as **Attachment K** and incorporated into this Agreement by reference.

(vii) Seller shall have received the remainder of the Purchase Price from the Escrow Holder.

(viii) Seller and Franchisor shall have received two (2) duly executed originals letters from Buyer's legal counsel attesting that such counsel has reviewed the provisions of this Agreement with Buyer.

(ix) Seller and Franchisor shall have received Certificates of Insurance evidencing the proper types and minimum amounts of required coverage as provided in Section 9(l) of this Agreement, the Franchise Agreement, the Sublease and the Master Lease.

(x) Seller shall have received such other documents as Seller may reasonably require to consummate the transaction contemplated by this Agreement.

b **Initial Training Program** Buyer shall have attended and completed Franchisor's Initial Training Program to Franchisor's satisfaction, as determined by Franchisor, in its sole and absolute discretion, prior to the Closing Date

c **Performance by Buyer** Buyer shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Buyer on or before the Closing Date

d **Accuracy of Buyer's Representations and Warranties** All representations and warranties made by Buyer in this Agreement shall be true on and as of the Closing Date, as the case may be, as if made at that time

12 **OBLIGATIONS ON THE CLOSING DATE**

a **Prorations** All rents, sewer charges, water charges, public utility charges real and personal property taxes levied or assessed against the Assets and the Restaurant and other items that are customarily prorated between a seller and a buyer of a business shall be prorated between Seller and Buyer as of the Closing Date and shall be paid by Seller or Buyer, as the case may be, on the Closing Date

b **Costs and Expenses** Buyer shall pay all sales and/or use taxes arising from the sale of the Assets by Seller to Buyer, all lien search fees, costs for publication of escrow notices and all escrow charges, costs and fees

c **Possession** Seller shall put Buyer into full possession and enjoyment of the Restaurant, the Restaurant Premises and the Assets and all other items required to be conveyed and transferred by Seller to Buyer under this Agreement at 11 59 P M on the Closing Date

d **Taxes** All sales, transfer, use and similar taxes and recording and similar fees incurred in connection with the sale, conveyance or transfer of the Assets to Buyer, to the extent required by the respective governmental authorities, shall be paid in full by Buyer

13 **INDEMNIFICATION**

a **Indemnification by Seller** Seller shall indemnify, defend and hold Buyer free and harmless from and against any and all "Losses" (as defined in Paragraph 13(c) below), which Buyer shall incur or suffer which arise or result from the operation or conduct of the business of the Franchised Unit by Seller at any time before the Closing Date, from Seller's Liabilities and from any breach of Seller's representations, warranties or covenants contained in this Agreement

(i) Buyer shall be entitled to indemnification from Seller under this Paragraph 13(a) only if the aggregate Losses for which Buyer is entitled to indemnification exceed \$5,000 (the **Indemnification Threshold**), only to the extent of the excess of the Losses over the Indemnification Threshold and only if a claim for Losses is submitted in writing by Buyer to Seller within one (1) year after the Closing Date

(ii) The remedies provided in this Paragraph 13(a) shall be the exclusive remedy for monetary damages (whether at law or in equity) and are in lieu of any statutory, common law, equitable or other remedy which Buyer, may have against Seller relating in any way to this Agreement, the other documents contemplated hereby and the transactions contemplated hereby and thereby Without limiting the generality of the foregoing, Buyer hereby expressly waives any right of offset Buyer may have against amounts otherwise

owed to Seller under this Agreement Buyer acknowledges that the limitation on Buyer's remedies set forth in this Paragraph 13(a) is a material term of this Agreement without which Seller would not have entered into this Agreement or the transactions contemplated hereby

b **Indemnification by Buyer** Buyer shall indemnify, defend and hold Seller free and harmless from and against any and all Losses which Seller shall incur or suffer which arise or result from any injuries sustained by Buyer while at the Restaurant prior to the Closing Date and from the operation or conduct of business at the Restaurant by Buyer at any time after the Closing Date, from any breach of Buyer's representations, warranties or covenants contained in this Agreement and from the Assumed Liabilities

c **Losses** For purposes of this Agreement, 'Losses' shall mean any and all obligations, liabilities, costs (including reasonable attorneys' fees), expenses, damages and losses actually incurred by Seller. Seller shall promptly notify Buyer of the existence of any claim, demand or other matter to which Buyer's indemnification obligations would apply and shall give Buyer a reasonable opportunity to defend or pay the same at Buyer's own expense and with counsel of Buyer's own selection. Seller shall at all times have the right to fully participate in the defense of any claim at Buyer's own expense. If Buyer shall fail to pay or defend, Seller shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter on behalf, for the account and at the risk of Buyer. If the claim is one that cannot by its nature be defended solely by Seller, Buyer shall make available all information and assistance that Seller may reasonably request for this purpose.

d **Obligations of Indemnified Party**

(i) A party entitled to indemnification under the provisions of this Section 13 (the **Indemnitee**) shall promptly notify the indemnifying party (the **Indemnitor**) of the existence of any claim, demand, or other matter to which the Indemnitor's indemnification obligations would apply and shall give the Indemnitor a reasonable opportunity to defend or pay the same at the Indemnitor's own expense and with counsel of Indemnitor's own selection.

(ii) The Indemnitee shall at all times have the right to fully participate in the defense of any claim at the Indemnitee's own expense.

(iii) If the Indemnitor shall, within a reasonable time after this notice, fail to pay or defend, Indemnitee shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter on behalf, for the account, and at the risk, of the Indemnitor.

(iv) If the claim is one that cannot by its nature be defended solely by the Indemnitor, then the Indemnitee shall make available all information and assistance that the Indemnitor may reasonably request for this purpose.

d **Mitigation** Each Indemnitee shall be obligated in connection with any claim for indemnification under this Section 13 to use commercially reasonable efforts to mitigate Losses upon and after becoming aware of any event which could reasonably be expected to give rise to such Losses.

14 **TERMINATION**

a **Termination by Seller** This Agreement may be terminated at any time prior to the Closing Date by Seller (i) if there has been a breach by Buyer of any representation, warranty, covenant or agreement set forth in this Agreement on the part of Buyer which Buyer fails to cure within five (5) days after written notice thereof is given by Seller (except that no cure period will be provided for a breach by Buyer

which by its nature cannot be cured), (u) if Buyer fails to complete the Initial Training Program within six (6) months after the parties execution of this Agreement, (w) if Buyer does not complete the Initial Training Program to Franchisor's satisfaction, (v) if Buyer does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or the Franchise Agreement, or (v) if Buyer is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion. If this Agreement is terminated by Seller, the obligations of Seller to complete the transactions contemplated by this Agreement will expire and Seller shall have any further obligations under this Agreement.

b **Liquidated Damages** SELLER AND BUYER HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE DIFFICULT TO MEASURE SELLER'S AGGREGATE DAMAGES IN THE EVENT OF A BREACH OF SECTION 14(a)(i) OF THIS AGREEMENT BY BUYER AND THAT, ACCORDINGLY, IN ADDITION TO, AND WITHOUT LIMITING ANY REMEDIES THAT MAY BE AVAILABLE TO SELLER FOR A BREACH OF THIS AGREEMENT, SELLER AND BUYER ACKNOWLEDGE AND AGREE THAT A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES IS THE ENTIRE DEPOSIT, WHICH IN NO WAY REPRESENTS A PENALTY OF ANY SORT. SELLER AND BUYER FURTHER ACKNOWLEDGE AND AGREE THAT IN THE EVENT OF THE TERMINATION OF THIS AGREEMENT AS A RESULT OF BUYER'S BREACH OF SECTION 14(a)(i) OF THIS AGREEMENT PRIOR TO THE CLOSING DATE, SELLER SHALL BE ENTITLED TO RETAIN THE ENTIRE DEPOSIT AS LIQUIDATED DAMAGES. SELLER AND BUYER ACKNOWLEDGE AND AGREE THAT THIS PAYMENT IS A REASONABLE FORECAST OF THE DAMAGES LIKELY TO RESULT FROM SUCH BREACH OF SECTION 14(a)(i) OF THIS AGREEMENT BY BUYER BECAUSE OF THE LOST OPPORTUNITIES OF SELLER TO SELL THE RESTAURANT TO OTHER AVAILABLE BUYERS [AND THE COSTS TO SELLER TO CONSTRUCT THE TURN-KEY UNIT] AND IS NOT A PENALTY OF ANY KIND. SELLER AND BUYER FURTHER ACKNOWLEDGE AND AGREE THAT THE PAYMENT OF LIQUIDATED DAMAGES SHALL NOT BE CONSTRUED AS A RELEASE OR WAIVER BY SELLER OF THE RIGHT TO PREVENT THE CONTINUATION OF ANY BREACH OF THIS AGREEMENT AND SHALL NOT PRECLUDE OR BE CONSTRUED TO PRECLUDE SELLER FROM MAKING A SHOWING OF IRREPARABLE INJURY OR ANY OTHER ELEMENT THAT MAY BE NECESSARY TO SECURE INJUNCTIVE RELIEF.

c **Termination by Buyer** Buyer shall have no right to terminate this Agreement.

15 **POST CLOSING OBLIGATIONS OF BUYER**

Buyer shall, at Buyer's sole cost and expense, refurbish, remodel and improve the Restaurant to conform the building design, trade dress, color schemes, and presentation of the La Salsa marks to Franchisor's then current public image. Such a remodeling may include extensive structural changes to the Restaurant and replacement or modification of furnishings, fixtures and equipment as well as such other changes that Franchisor may direct. Buyer shall undertake such a program promptly upon notice from Franchisor, and shall complete any such remodeling as expeditiously as possible, but in any event no later than one (1) year from the Closing Date. Franchisor may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, Buyer's obligation to remodel the Restaurant, if Franchisor determines, in its judgment, that the Restaurant is in substantial conformity with Franchisor's then-current standard system decor specifications.

16 **BROKER'S FEES**

Each of the parties represents and warrants that such party has dealt with no broker or finder in connection with the transactions contemplated by this Agreement, and, insofar as it knows, no broker or other person is entitled to any commission or finder's fee in connection with this transaction. Each of the parties agrees to indemnify and hold the other harmless from and against any liability, claim, damage, loss or expense

incurred by reason of any brokerage commission or finder's fee alleged to be payable because of any act, omission or statement of the indemnifying party

17 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations, warranties, covenants and agreements of the parties contained in this Agreement, or in any instrument or other writing provided for in this Agreement, shall survive the Closing Date

18 DISPUTE RESOLUTION

a Arbitration Except as provided in Section 18 b of this Agreement and except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged default hereunder, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one arbitrator selected by Franchisor and Franchisee in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, (i) the proceedings shall be held in Orange County, California, (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer, and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 18 e of this Agreement. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. The parties agree to be bound by the provisions of the limitations on the period of time in which claims must be brought under Applicable Law or this Agreement, whichever expires earlier. The parties further agree that, in connection with any arbitration proceeding conducted hereunder, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred.

B Exceptions to Arbitration The arbitration provision in 18 a of this Agreement shall not apply to (i) any action for injunctive or other provisional relief, including, but not limited to, enforcement of liens, security agreements, or attachments, which a party deems to be necessary or appropriate to compel the other party to comply with its obligations under this Agreement, or (ii) any action Franchisor deems to be

necessary or appropriate to protect the Marks and Trade Secrets of Franchisor. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

c **Other Remedies** Nothing in this Section 18 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under applicable law.

d **Mediation** Notwithstanding anything to the contrary in Section 18 a of this Agreement, before either party may initiate any arbitration proceeding as described above (other than suits described in Section 18 c), Seller and Buyer pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Seller and Buyer agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Seller and Buyer. If the parties fail to complete mediation within the forty-five (45) day period, either Seller or Buyer may initiate an arbitration proceeding in accordance with Section 18 a. The fees and expenses of the mediator shall be shared equally by Seller and Buyer. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Seller and Buyer shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent legal proceeding.

e **Governing Law** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 18 e is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject.

f **Survival** The terms of this Section 18 shall survive termination, expiration or cancellation of this Agreement.

19 GENERAL

a **Notices** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Seller

LAS Acquisition, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: Chief Executive Officer / (Facsimile No. (562)391-2402)

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No (818) 981-4764

If to Buyer

Attention _____
Facsimile No _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties

b **Waiver and Delay** No waiver by Seller of any default or series of defaults in performance by Buyer, and no failure, refusal or neglect of Seller to exercise any right, power or option given to Seller hereunder or under the Escrow Instructions, or to insist upon strict compliance with or performance of Buyer's obligations under this Agreement or under the Escrow Instructions, shall constitute a waiver of the provisions of this Agreement or under the Escrow Instructions with respect to any subsequent default thereof or a waiver by Seller of Seller's right, at any time thereafter, to require exact and strict compliance with the provisions thereof

c **Transfers, Successors and Assigns, Benefit** Seller shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity Buyer shall not have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Seller and Buyer and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained herein This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any right or benefit upon any person who is not a party hereto

d **Joint and Several Liability** If Buyer consists of more than one (1) person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Seller are joint and several, and such person(s) and/or entities shall be deemed to be a general partnership

e **Entire Agreement** This Agreement, the Preliminary Business Purchase Agreement attached to this Agreement as **Attachment L** and the Escrow Instructions contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations are merged herein and superseded hereby Buyer represents that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained in this Agreement No officer, employee or agent of Seller has any authority to make any representation or promise not contained in this Agreement, and Buyer agrees that Buyer has executed this Agreement without reliance upon any such representation or promise This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto

f **Titles for Convenience** Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement

g **Gender and Construction** The terms of all Attachments hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any Article or Section hereof may require. As used in this Agreement, the words include, 'includes' or 'including' are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, acceptance, approval or authorization of Seller which Buyer may be required to obtain hereunder may be given or withheld by Seller in its sole discretion, and on any occasion where Seller is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Seller's standards or satisfaction, Seller may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Seller and Buyer intend that if any provision of this Agreement is susceptible to two (2) or more constructions, one (1) of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

h **Severability** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and the Escrow Instructions, the terms of this Agreement shall control. Whenever there is any conflict between any provisions of this Agreement or the Escrow Instructions and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Escrow Instructions thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Escrow Instructions shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

i **Counterparts and Electronic Copies** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this agreement. In addition, this Agreement and all attachments to this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement and the attachments shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the attachments.

j **Fees and Expenses** If any party to this Agreement shall bring any action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs incurred in bringing or defending such action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorneys' fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon

an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions, (2) contempt proceedings, (3) garnishment, levy, and debtor and third party examinations, (4) discovery, and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement and is intended to survive any judgment and is not to be deemed merged into the judgment.

k **General** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Seller and Buyer. This Agreement shall not be binding on Seller unless and until it shall have been accepted and signed on its behalf by an authorized officer of Seller.

20 **ACKNOWLEDGMENTS**

a **General** Buyer, and its owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Seller expressly disclaims making, and Buyer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses or success of the business venture contemplated by this Agreement.

b **Independent Investigation** Buyer acknowledges that Buyer has conducted an independent investigation of the Restaurant franchised hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that Buyer's success will be largely dependent upon the ability of Buyer and if an entity, its owners, as independent businesspersons. Seller expressly disclaims the making of, and Buyer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

c **Opportunity to Consult** Buyer acknowledges that it has read and understood this Agreement, the Attachments hereto and agreements relating thereto, if any, and that Seller has accorded Buyer ample time and opportunity to consult with advisors of Buyer's own selection about the potential benefits and risks of entering into this Agreement.

d **Disclosure Document** Buyer acknowledges that it has received a copy of the complete La Salsa Franchise, LLC Disclosure Document which contains a copy of this Asset Purchase Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Buyer acknowledges and agrees that Seller has made no promises, representations, warranties or assurances to Buyer which are inconsistent with the terms of this Agreement or the Disclosure Document, concerning the profitability or likelihood of success of the Restaurant at the Franchised Location, that Buyer has been informed by Seller that there can be no guarantee of success in the Restaurant and that Buyer's business ability and aptitude is primary in determining his success.

e **Atypical Terms** Buyer acknowledges and agrees that Seller may modify the offer of its franchises to other La Salsa® franchisees in any manner and at any time, which such offers have or may have terms, conditions and obligations which may differ from the terms, conditions and obligations in this Agreement. Buyer further acknowledges and agrees that Seller has made no warranty or representation that all Franchise Agreements previously issued or issued after this Agreement by Seller do or will contain terms substantially similar to those contained in this Agreement. Seller may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable

provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other La Salsa® franchisees in a non-uniform manner

f **Attachments and Schedules** Seller shall have the right to amend and update all of the Attachments and Schedules attached to this Agreement up to the Closing Date to accurately reflect the information referred to therein Seller shall deliver to Buyer a final version of all of such Attachments and Schedules on or before the Closing Date

21 **ANTI-TERRORISM LAWS**

Buyer and its officers, directors, members and shareholders, and each of them, shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below) In connection with such compliance, Buyer and its officers, directors, members and shareholders, and each of them, certify, represent and warrant that none of the property or interests of Buyer or its officers, directors, members and shareholders, and each of them, is subject to being **blocked** under any of the Anti-Terrorism Laws and that Buyer and its officers, directors, members and shareholders, and each of them, are not otherwise in violation of any of the Anti-Terrorism Laws

a **Definition** For the purposes of this Section 21, **Anti-Terrorism Laws** means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U S Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U S Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U S Code of Federal Regulations), the USA Patriot Act and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war

b **Annex** Buyer and its officers, directors, members and shareholders, and each of them, certify that none of its employees or anyone associated with Buyer or officers, directors, members and shareholders are listed in the Annex to Executive Order 13224 Buyer agrees not to hire any individual listed in the Annex The Annex is available at

www.treas.gov/offices/enforcement/ofac/sdn/

c **No Knowledge** Buyer certifies that Buyer has no knowledge or information that, if generally known, would result in Buyer, its officers, directors, members and shareholders, its employees, or anyone associated with Buyer to be listed in the Annex to Executive Order 13224

d **Indemnity** Buyer shall be solely responsible for ascertaining what actions must be taken by Buyer to comply with the Anti-Terrorism Laws, and Buyer specifically acknowledges and agrees that Buyer's indemnification responsibilities set forth in this Agreement pertain to Buyer's obligations under this Section 21

e **Termination** Any misrepresentation by Buyer under this Section 21 or any violation of the Anti-Terrorism Laws by Buyer, its officers, directors, members and shareholders, or Buyer's employees shall constitute grounds for immediate termination of this Agreement and any other Agreement Buyer has entered with Seller or an affiliate of Seller, in accordance with the terms of this Agreement

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date first shown above

SELLER

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

BUYER

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

ENTITY INFORMATION

If Buyer is an entity, Buyer represents and warrants that the following information is accurate and complete in all material respects

- (1) Buyer is a (check as applicable)
- ☐ corporation
 - ☐ limited liability company
 - ☐ general partnership
 - ☐ limited partnership
 - ☐ Other (specify) _____

State of incorporation/organization _____

Entity name _____

(2) Buyer shall provide to Seller concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof and any amendments to the foregoing (**Entity Documents**)

(3) Buyer promptly shall provide such additional information as Seller may, from time to time, request concerning all persons who may have any, direct or indirect, financial interest in Buyer

(4) The name and address of each of Buyer's Owners, members, or general and limited partners _____

NAME	ADDRESS	NUMBER OF
		SHARES OR PERCENTAGE INTEREST (if applicable)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(5) There is set forth below the names, addresses and titles of Buyer's Principal Officers or partners who will be devoting their full time to the Restaurant

NAME	ADDRESS	TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(6) The address where Buyer's Financial Records and Entity Documents (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is _____

SELLER

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

BUYER

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

ATTACHMENTS

ATTACHMENT A	RESTAURANT
ATTACHMENT B	FRANCHISE LOCATION, MASTER LEASES AND MASTER LANDLORD
ATTACHMENT C	INITIAL TRAINING AGREEMENT
ATTACHMENT D	FRANCHISE AGREEMENT
ATTACHMENT E	SECURED PROMISSORY NOTE
ATTACHMENT F	SECURITY AGREEMENT
ATTACHMENT G	SUBLEASE
ATTACHMENT H	GUARANTEES
ATTACHMENT I	ASSUMPTION AGREEMENT
ATTACHMENT J	BILL OF SALE
ATTACHMENT K	GENERAL RELEASE
ATTACHMENT L	PRELIMINARY BUSINESS PURCHASE AGREEMENT

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT A
RESTAURANT**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT B
FRANCHISE LOCATION, MASTER LEASE AND MASTER LANDLORD**

Franchised Location

Master Lease Date

Master Landlord

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT C
INITIAL TRAINING AGREEMENT**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT D
FRANCHISE AGREEMENT**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT E
SECURED PROMISSORY NOTE**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT E
SECURED PROMISSORY NOTE**

\$ _____ Cypress, California _____

1 PRINCIPAL AND PAYMENT

a FOR VALUE RECEIVED, the undersigned, _____

_____, a _____
("Maker"), promises to pay LAS Acquisition, LLC, a Delaware limited liability company, or order ("Payee"), without deduction or offset, at the address specified for notice to Payee in Section 9 hereof (or at such other place as Payee shall specify in writing), in lawful money of the United States of America, the principal amount of _____ (\$ _____), together with interest thereon adjusted every six (6) months after the Closing Date at a rate equal to either the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), or _____ percent (____%) per annum, whichever is greater, in _____ equal consecutive monthly payments, commencing with the first payment of \$ _____ (calculated at the current interest rate determined as of the Closing Date as _____ percent (____% per annum)), due on the first day of _____, _____, and continuing on the first day of each successive month thereafter until _____, _____, when this Promissory Note shall be paid in full, in connection with Maker's purchase of the "Assets" at the La Salsa® Restaurant known as La Salsa # _____ (the "Restaurant") located at _____

(the 'Franchised Location')

2 PREPAYMENT

This Promissory Note may be prepaid at any time or from time to time, in whole or in part, without penalty

3 APPLICATION OF PAYMENTS

Each payment on this Promissory Note (whether made when due or otherwise) shall first be credited against any interest then due, and the remainder of such payment shall be credited against the unpaid principal

4 DEFAULT, ACCELERATION

If one (1) or more of the following events shall occur ("Events of Default" or an "Event of Default")

a Maker shall default in the due and punctual payment of the obligation due hereunder, whether at maturity, upon acceleration or otherwise, or in the performance by Maker of any remaining obligation under this Promissory Note, or fail to perform any representation, warranty or covenant or obligations under any loan agreement with any third-party lender, or its assignee, for money borrowed for the Restaurant, and such default shall continue for a period of ten (10) days after written notice of such default is given by Payee to Maker, or

b Maker shall default in the performance of Maker's obligations under the 'Security Agreement' between Maker and Payee dated _____, under the Franchise Agreement dated _____, between Maker and La Salsa Franchise, LLC, a Delaware limited liability company ('Franchisor'), the franchisor of La Salsa® Restaurants, or under the Sublease between Maker and Payee dated _____, or under any other agreement or promissory note between Maker and Payee or Maker and Franchisor and such default shall continue for a period of ten (10) days after written notice of such default is given to Maker, or

c Maker shall sell exchange, transfer or make any other disposition of all or substantially all of the Assets (other than a transfer by Maker to an affiliated entity) of the Restaurant, the La Salsa® franchise located at the Franchised Location or any other La Salsa Restaurant or La Salsa franchise owned by Maker or its affiliates, whether individually or collectively, or a transfer of 49% or more of the capital stock, membership interests, partnership rights, or other equity interests of Maker, or

d Maker shall be adjudicated bankrupt or insolvent, or make an assignment for the benefit of creditors, or Maker shall apply for or consent to the appointment of a custodian, receiver, trustee or similar officer, for it or for all, or any substantial part of its property, or such custodian, receiver, trustee or similar officer shall be appointed without the application or consent of Maker, and such appointment shall continue undischarged for a period of sixty (60) days, or

e Maker shall institute, by petition, application, answer, consent or otherwise, any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or any such proceeding shall be instituted, by petition, application or otherwise, against Maker and shall remain undismissed for a period of sixty (60) days,

THEN

upon the occurrence of an Event of Default under Sections 4(c), 4(d) or 4(e) above or Section 5(c) below, automatically, and upon the occurrence of an Event of Default under Sections 4(a) or 4(b) above or 5(a) or 5(b) below), and upon the election of Payee following the expiration of the ten (10) day period provided therein, the entire principal balance of this Note, and all accrued interest, without further demand, shall immediately become due and payable. No delay or omission on the part of Payee in exercising any right under this Note shall operate as a waiver of such right

5 REPORTING AND FINANCIAL CONDITIONS

a Maker shall provide Payee with copies of Maker's internally prepared quarterly Financial Statements (Balance Sheet and Income & Expense Statement) within fifteen (15) days of the end of each calendar quarter

b Maker shall provide Payee with copies of an accountant prepared annual Financial Statements (Balance Sheet and Income & Expense Statement) within thirty (30) days of the end of each calendar year

c Maker shall maintain the following financial ratios at all times until this Note is paid in full Debt Coverage Ratio (EBITDA/TOTAL LOAN PAYMENTS) 1.5 : 1.0

6 WAIVER

Maker waives presentment, protest and demand, notice of protest, demand, dishonor and nonpayment of this Note, notice of acceleration, notice of intent to accelerate, and any and all other notices or

matters of a like nature, provided that such waiver shall not extend to any notice of default to be given by Payee under Sections 4(a), 4(b), 5(a) or 5(b) hereof

7 **ATTORNEYS' FEES**

Maker agrees that if any legal action is brought to enforce or collect this Note, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled. This provision shall be applicable to the entire Note.

8 **SEVERABILITY**

Every provision of this Note is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which term and provisions shall remain binding and enforceable.

9 **NOTICES**

Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Payee LAS Acquisition, LLC
5900 Katella Avenue Building A, Suite 101
Cypress, California 90630
Attention: Managing Member
Facsimile No. (562) 391-2402

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No. (818) 981-4764

If to Maker

Attention: _____
Facsimile No. _____

Either party may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party.

10 **BINDING EFFECT**

All the terms and provisions of this Note shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, heirs and assigns.

11 HEADINGS

Headings at the beginning of each numbered Section of this Note are intended solely for convenience of the parties, and are not to be deemed or construed to a part of this Note

12 SECURITY FOR PAYMENT OF NOTE

Payment of this Note shall be secured by a security interest in the Assets located at the Restaurant and certain other assets of the Restaurant as evidenced by the Security Agreement executed by Maker in favor of Payee concurrently with the execution of this Note

13 ASSIGNMENT OF PAYEE'S RIGHTS

Payee may, without any notice to Maker or Maker's consent, transfer any of Payee's rights under this Note, and any collateral related thereto, and upon notice, Maker shall render all performance hereunder to such transferee. Maker agrees that any such transferee shall have the rights and benefits assigned, but none of the obligations, and such transferee will not be subject to any claims, defenses or set-off that Maker may have against Payee.

14 INTEREST RATE

It is the express intent of Maker and Payee not to violate any applicable usury laws or to exceed the maximum amount of interest permitted under applicable law. In the event a court of competent jurisdiction declares that any interest payable hereunder is excessive, any such excess payment shall be applied to principal in inverse order of maturity and any remaining excess shall be refunded to Maker following Maker's payment in full of this Note.

GOVERNING LAW AND VENUE

 This Note shall be governed and construed in accordance with the laws of the State of California. Venue for purposes of any actions brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Orange.

IN WITNESS WHEREOF, the undersigned have executed this Note as of the day and year first above written

MAKER

L:\pkaravanich\My Documents\La Salsa\2016 Filed\D DOCX
2016 LA SALSA ENTITY INFORMATION

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT F
SECURITY AGREEMENT**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT F
SECURITY AGREEMENT**

THIS SECURITY AGREEMENT (this "Agreement") is made this ____ day of _____, by and between LAS Acquisition, LLC, a Delaware limited liability company ("**Secured Party**"), on the one hand, and _____ a _____ ("**Debtor**"), on the other hand, with reference to the following facts

A On _____, _____, Secured Party and Debtor entered into an Asset Purchase Agreement (the "**Purchase Agreement**") pursuant to which Secured Party sold and Debtor purchased all of the assets owned or used by Secured Party (the "**Assets**") in the operation of the La Salsa® Restaurant known as La Salsa #____ (the "**Restaurant**") located at _____ (the "**Franchised Location**") Debtor agreed to operate the Franchised Location as a Franchisee of La Salsa Franchise, LLC, the Franchisor of La Salsa® Restaurants ("**Franchisor**") In conjunction with this acquisition, Debtor has agreed to pay Secured Party the sum of \$_____ in accordance with the terms of a Promissory Note (the "**Purchase Note**")

B Secured Party and Debtor desire to enter into this Agreement to grant Secured Party a security interest in all of the Assets at the Restaurant to secure payment of the Purchase Note on the terms and conditions set forth herein

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The Recitals set forth in Paragraphs A and B of this Agreement are true and correct and are incorporated by reference herein as part of this Agreement

2 SECURITY INTEREST

In consideration of the foregoing, Debtor hereby grants to Secured Party a security interest as follows

a **Collateral** Debtor hereby grants to Secured Party a continuing security interest in all of the leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used in connection with the Restaurant, now or hereafter leased or acquired by Debtor, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Debtor to use the La Salsa® trademarks, service marks, trade names, trade styles, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Debtor under contracts and licenses and Franchise Agreements for the use of the La Salsa® trademarks, service marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights (collectively the '**Collateral**'), to secure payment and performance by Debtor of the following obligations (the "**Obligations**")

(i) All obligations, including, without limitation, payments for inventory, equipment and supplies, obligations and payments under this Agreement and other agreements between Secured Party, its affiliates, and Debtor, and other amounts and obligations owed to Secured Party,

(ii) All expenditures of any kind or nature made by Secured Party to preserve the Collateral, including, without limitation all amounts paid to discharge taxes liens, security interest and any other encumbrances against the Collateral, and to repair any damage to the Collateral or otherwise preserve or maintain the Collateral and all insurance thereon,

(iii) All expenditures made or incurred by Secured Party pursuant to the provisions of any credit agreements, any promissory note and this Agreement, and

(iv) All other indebtedness, obligations and liabilities of Debtor to Secured Party, its affiliates, or other third parties, direct or indirect, absolute or contingent, due or to become due, whether now or hereafter arising

b **Authorization to File Financing Statements** Debtor hereby irrevocably authorizes Secured Party, at any time and from time to time, to file in any filing office in any Uniform Commercial Code ("UCC") jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to Secured Party promptly upon Secured Party's request Debtor further agrees, at the request and option of Secured Party, to take any and all other actions Secured Party may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of Secured Party to enforce, Secured Party's security interest in any and all of the Collateral

c **Right to Assign Secured Party's Rights and Interest** Secured Party may, without any notice to Debtor or Debtor's consent, transfer any of Secured Party's right under this Agreement, or any security interest in and to the Collateral, and, upon notice, Debtor shall render all performance hereunder to such assignee Debtor agrees that any such assignee shall have the rights and benefits assigned, but none of the obligations, and will not be subject to any claims, defenses or set-off that Debtor may have against Secured Party

3 **WARRANTIES OF DEBTOR**

Debtor warrants, covenants and represents to Secured Party that

a **Ownership of Collateral** Debtor is the owner of all of the Collateral, free and clear of all liens and encumbrances, except liens in favor of Secured Party

b **Encumbrances** Until all obligations of Debtor have been paid and performed under the Purchase Note and this Agreement, or the Purchase Note is canceled and terminated, Debtor shall not create, incur, assume or suffer to exist any encumbrances on the Collateral, without the prior written consent of Secured Party

c **Defense and Indemnity** Debtor will defend its title and Secured Party's interest in the Collateral against all claims which may affect title to or Secured Party's security interest in the Collateral, and Debtor will take any action necessary to remove any liens or encumbrances in the Collateral not authorized by this Agreement

d **Sale of Collateral** Until all obligations of Debtor have been paid and performed under the Purchase Note and this Agreement, or the Purchase Note is canceled and terminated, Debtor shall not sell or

otherwise dispose of any assets or properties comprising the Collateral without the prior written consent of Secured Party

e **Maintenance and Insurance** Debtor shall maintain the Collateral in good repair, working order and condition, and Debtor shall maintain or cause to be maintained, at no cost or expense to Secured Party, for the mutual benefit of Debtor and Secured Party, comprehensive broad form general public liability insurance against claims and liability for personal injury, death or property damage arising from the use, occupancy or condition of the Restaurant and the improvements at the Franchised Location. All insurance policies carried by Debtor shall provide that the policies cannot be canceled or materially changed except after thirty (30) days prior notice by the insurer to Secured Party. All policies shall name Secured Party as an additional insured.

4 **EVENTS OF DEFAULT**

If one (1) or more of the following events shall occur, Debtor shall be in default under the Purchase Note and this Agreement

a **Purchase Note and Loan Agreements** If Debtor shall default in the due and punctual payment of any installment due under the Purchase Note, whether at maturity, upon acceleration or otherwise, or in the performance by Debtor of any remaining obligation under the Purchase Note, or fail to perform any representation, warranty or covenant or obligations under any loan agreement with any third-party lender, or its assignee, for money borrowed for the Restaurant, and such default shall continue for a period of ten (10) days after written notice of such default is given by Secured Party to Debtor.

b **Security Agreement and Other Agreements** If Debtor shall default in the performance of Debtor's obligations under this Agreement or under the Franchise Agreement between Debtor and Franchisor dated _____, _____, and/or under the Sublease between Debtor and Secured Party dated _____, _____, or under any other agreement or promissory note between Secured Party and Debtor or Secured Party and Franchisor and such default shall continue for a period of ten (10) days after written notice of such default is given to Debtor.

c **Sale of Collateral or Business** If Debtor shall sell, exchange, transfer or make any other disposition of all or substantially all of the assets (other than a transfer by Debtor to an affiliated entity) of the Restaurant or the La Salsa® business located at the Franchised Location.

d **Adjudication** If Debtor shall be adjudicated bankrupt or insolvent, or make an assignment for the benefit of creditors, or Debtor shall apply for or consent to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its Collateral, or such custodian, receiver, trustee or similar officer shall be appointed without the application or consent of Debtor, and such appointment shall continue undischarged for a period of sixty (60) days.

e **Institution of Proceedings** If Debtor shall institute, by petition, application, answer, consent or otherwise, any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or any such proceeding shall be instituted, by petition, application or otherwise, against Debtor and shall remain undismissed for a period of sixty (60) days.

f **Effect of Default** Upon the occurrence of an event of default under Sections 4(c), 4(d) or 4(e) above, automatically, and, upon the occurrence of an event of default under Sections 4(a) or 4(b), and upon the election of Secured Party following the expiration of the ten (10) day period provided therein, the

entire principal balance of the Purchase Note and any accrued interest, without further demand, shall immediately become due and payable. No delay or omission on the part of Secured Party in exercising any right under the Purchase Note shall operate as a waiver of such right.

g **Possession of Collateral and Remedies** Upon the occurrence of any event of default set forth above or upon the occurrence of any other default in payment or performance of any Obligations for which this security interest is granted, Secured Party shall have, in addition to all other rights and remedies, the remedies of a secured party under the UCC as then in effect in the state in which the Franchised Location is located, regardless of whether the UCC applies to the security transactions covered by this Agreement, including, without limitation, the right to accelerate the maturity of the obligations, without notice or demand and the immediate right to take possession and use of the Collateral and any proceeds thereof wherever located. Debtor shall assemble the Collateral and make the Collateral and all records relating thereto available to Secured Party at a place to be designated by Secured Party that is reasonably convenient for both parties. If notice is required, Secured Party shall give to Debtor at least five (5) business days prior written notice of the time and place of any public sale of the Collateral, or of the time after which any private sale or any other intended disposition is to be made. Debtor hereby acknowledges that five (5) business days prior written notice of such sale or sales shall constitute reasonable notice. During the time that Secured Party is in possession of the Collateral, and to the extent permitted by law, Secured Party shall have the right to hold, use, operate, manage and control all or any part of the Collateral, to make all such repairs, replacements, alterations, additions and improvements to the Collateral as it may deem necessary and proper, and to demand, collect and retain all earnings, proceeds from such use and all other costs, expenses, charges, damages or losses by reason of such use.

5 **GENERAL PROVISIONS**

a **Governing Law and Venue** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 5 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any actions brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Orange.

b **Notices** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Secured Party:

LAS Acquisition, LLC
5900 Katella Avenue, Building A, Suite 101
Cypress, California 90630
Attention: Managing Member
Facsimile No. (562) 391-2402

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No (818) 981-4764

If to Debtor

Attention _____
Facsimile No _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties

c **Waivers** The delay, omission or forbearance by Secured Party to take action to remedy or seek damages for the breach or default of any term, covenant or condition herein contained, or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition herein contained. The subsequent acceptance of payments by Secured Party shall not be deemed to be a waiver of any preceding breach or default by Debtor other than its failure to pay the particular payment so accepted, regardless of Secured Party's knowledge of such preceding breach or default at the time of acceptance of such payment

d **Attorneys' Fees** If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs and any and all costs of collection, in addition to any other relief to which that party may be entitled

e **Modification** This Agreement may be modified only by a writing executed by the party sought to be bound

f **Entire Agreement** This Agreement, the other agreements referred to herein and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties, and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled

g **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law

h **Titles** The various titles of the Sections herein are used solely for convenience and shall not be used in interpreting or construing any word, clause, paragraph or subparagraph of this Agreement

i **Gender** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine

j **Successors** This Agreement shall be binding upon all of the parties hereto, their respective heirs, executors, administrators, personal representatives, successors and assigns

k **Severability** The invalidity of any one (1) or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof

l **Additional Documents** Debtor agrees to execute, acknowledge and deliver to Secured Party and to procure the execution, acknowledgment and delivery to Secured Party of any additional documents or instruments which Secured Party may reasonably require to fully effectuate and carry out the provisions of this Agreement

m **Counterparts and Electronic Copies** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement

n **Representation By Counsel** Debtor acknowledges and agrees that Debtor has been represented by independent legal counsel of Debtor's own selection in connection with the negotiation and review of the terms and conditions of this Agreement, or has had the opportunity to have legal counsel assist Debtor, but Debtor has voluntarily elected not to do so

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

SECURED PARTY

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

DEBTOR

[] A _____ corporation,
[] A _____ limited liability company,
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____
Title _____, and Individually

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT G
SUBLEASE**

LA SALSA FRANCHISE, LLC

SUBLEASE

THIS SUBLEASE (this "Sublease") is made and entered into as of _____, _____, by and between LAS Acquisition, LLC, a Delaware limited liability company ("Sublessor"), on the one hand, and _____, a _____ ("Sublessee"), on the other hand, with reference to the following facts

A Sublessor leases from _____, _____ a _____ ("Master Landlord"), the premises located at _____ (the "Franchised Location") pursuant to a Lease dated _____, _____, (the "Master Lease"), a copy of which is attached to this Sublease as Attachment A

B Sublessor wishes to sublease the Franchised Location to Sublessee, and Sublessee wishes to sublease the Franchised Location from Sublessor in order for Sublessee to operate the La Salsa® Restaurant known as La Salsa #____ (the 'Restaurant') at the Franchised Location, subject to the terms of a Franchise Agreement between Sublessee and La Salsa Franchise, LLC a Delaware limited liability company ("Franchisor"), dated _____, _____ (the "Franchise Agreement")

C Sublessee acknowledges that Sublessee has received, reviewed and approved the Master Lease

NOW, THEREFORE, IT IS AGREED

1 SUBLEASE TERM

Sublessor hereby subleases the Franchised Location to Sublessee, and Sublessee hereby subleases the Franchised Location from Sublessor, subject to the terms of this Sublease and applicable provisions of the Master Lease. The term of this Sublease (the "Sublease Term") shall commence on _____, _____ (the 'Sublease Commencement Date'), and shall expire on _____, _____ (the "Expiration Date"), and shall be subject to the same extension options as contained in the Master Lease following the Expiration Date, provided, however, that this Sublease shall automatically terminate upon the expiration or termination of the Franchise Agreement. Sublessor and Sublessee acknowledge that the term of the Franchise Agreement may extend beyond the term available under the Master Lease, and that Sublessor has neither right nor obligation to negotiate an extension of the term of the Master Lease or the Sublease Term beyond the remaining term under the Master Lease. Sublessee acknowledges that this Sublease may terminate due to the expiration of the remaining term under the Master Lease prior to the expiration of the Franchise Agreement for the Franchised Location. Sublessee acknowledges and agrees that in order to avoid an automatic termination of the Franchise Agreement, Sublessee must negotiate a new direct lease with the Master Landlord for the Franchised Location or otherwise obtain a right to retain possession of the Franchised Location in accordance with the Franchise Agreement. If, and to the extent that, the Master Lease provides Sublessor with any options to extend the term of the Master Lease, and if Sublessee desires to have the Sublease Term extended by an equivalent term, Sublessee shall give Sublessor notice of Sublessee's desire to have the term of the Master Lease extended at least ninety (90) days in advance of the date that Sublessor is required to give the Master Landlord notice of Sublessor's desire to extend the term of the Master Lease. Sublessor shall thereafter give the Master Landlord notice of Sublessor's desire to have the term of the Master Lease extended on or before the date that Sublessor is required to give the Master Landlord notice of Sublessor's desire to extend the term of the Master Lease.

RENT

2.1 Beginning on the Sublease Commencement Date Sublessee shall pay to Sublessor a monthly rental payment equal to (i) the minimum base rent and all percentage rent that Sublessor is obligated to pay under the Master Lease (the 'Rent') **plus** (ii) all other rent, fees, charges, expenses and costs that Sublessor is obligated to pay under the Master Lease including, without limitation, Sublessor's proportionate share of real property taxes, utilities, insurance and operating expenses which Sublessor is obligated to pay in accordance with the terms of the Master Lease (collectively the **Master Lease Payments**) **plus** (iii) _____ percent (___%) of the Rent ("**Sublease Administration Fee**"), as compensation to Sublessor for, among other things, the administrative and other expenses incurred by it in connection with this Sublease. Sublessee shall make payments of Rent, Master Lease Payments and the Sublease Administration Fee at the address set forth below, due no later than the first day of each month during the Sublease Term, provided, however, that Sublessee shall pay the first month's Rent, Master Lease Payments and Sublease Administration Fee due hereunder upon execution of this Sublease. Sublessor reserves the right to require Sublessee to make all payments of Rent and Master Lease Payments directly to the Master Landlord during the Sublease Term upon ten (10) days prior notice to Sublessee and the Master Landlord. Notwithstanding the foregoing, the parties acknowledge and agree that all Rent, Security Deposits, Master Lease Payments and Sublease Administration Fees due from Sublessee pursuant to this Sublease shall be collectively deemed "**Rents**" under this Sublease for purposes of any actions brought against Sublessee. Rent for partial months shall be prorated on the basis of the actual number of days in the month. The Master Lease Payments total \$_____, as of the date of this Sublease. Your rent payable under this Sublease will be subject to the same adjustments provided for in the Master Lease and will increase over the Sublease Term in the same amounts that Fresh Enterprises' rent increases under the Master Lease.

2.2 **Late Charges** Sublessee acknowledges that late payment by Sublessee of Rent and/or Master Lease Payments will cause Sublessor to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, without limitation, processing and accounting charges, and late charges which may be imposed on Sublessor by the Master Landlord under the terms of the Master Lease. Accordingly, if any payment of Rent or Master Lease Payments due from Sublessee shall not be received by the Master Landlord or Sublessor, as the case may be, on or before the fifth day of each month during the Sublease Term, then without any requirement for notice (including, without limitation, billing) to Sublessee, Sublessee shall pay to Sublessor a late charge equal to ten percent (10%) of such overdue amount. Sublessor and Sublessee agree that such late charge represents a fair and reasonable estimate of the costs Sublessor will incur by reason of late payment by Sublessee. Acceptance of such late charge by Sublessor shall in no event constitute a waiver of Sublessee's default with respect to such overdue amount, nor prevent Sublessor from exercising any other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Rent or Master Lease Payments during the Sublease Term, the Rent and the Master Lease Payments shall automatically become due and payable quarterly directly to Sublessor, in advance, rather than monthly notwithstanding any other provision of this Sublease to the contrary.

SECURITY DEPOSIT

3.1 **Security for Obligations of Sublessee** Sublessee shall pay Sublessor a security deposit of \$_____, upon the parties' execution of this Sublease (the "**Security Deposit**") to secure Sublessee's faithful performance of Sublessee's obligations under this Sublease. If Sublessee defaults under this Sublease, Sublessor may use, apply or retain all or part of the Security Deposit for the payment of Rent and/or other Master Lease Payments, or any other amount Sublessor may spend, or loss Sublessor may suffer, by reason of Sublessee's default. If Sublessor so uses or applies any portion of the Security Deposit, Sublessee shall

deposit sufficient funds with Sublessor to restore the Security Deposit to its original amount within ten (10) days after Sublessor's written demand and Sublessee's failure to do so shall be a material breach of this Sublease. Sublessor shall not be entitled to interest on the Security Deposit. If Sublessee fully and faithfully performs every obligation of Sublessee under this Sublease, Sublessor shall return any remaining balance of the Security Deposit to Sublessee at the expiration of the Sublease Term and after Sublessee has vacated the Franchised Location. Sublessor shall not be required to keep said deposit separate from its general accounts. No trust relationship is created herein between Sublessor and Sublessee with respect to the Security Deposit.

3.2 **Other Subleases** If, and to the extent that Sublessee is in breach of this Sublease or any other sublease, if any, between Sublessor and Sublessee, and the Security Deposit made by Sublessee with respect to this Sublease and such other sublease, are not sufficient (a) to pay the Rent or other charges due as a result of Sublessee's default, (b) to pay any other sum to which Sublessor may become obligated by reason of Sublessee's default or (c) to compensate Sublessor for any loss or damage which Sublessor may thereby suffer, then Sublessor may apply and use such portion of all of the security deposits paid by Sublessee pursuant to this Sublease and all other subleases to satisfy Sublessor's payment obligations and/or compensatory rights.

4 **PREMISES**

4.1 **Condition** Sublessee accepts the Franchised Location and the existing tenant improvements in the Franchised Location in their "AS IS" condition and acknowledges and Sublessee agrees that Sublessor shall not be obligated to make any repairs or maintenance to the Franchised Location or the tenant improvements prior to the Sublease Commencement Date. Sublessee's assumption of possession of the Franchised Location on the Sublease Commencement Date shall conclusively establish, for all purposes, that Sublessee has conducted such investigation(s) of the condition of the Franchised Location and the existing tenant improvements at the Franchised Location as Sublessee desired, to the satisfaction of Sublessee, prior to the Sublease Commencement Date, and that the Franchised Location and the existing tenant improvements were, in all respects, in a satisfactory condition and acceptable to Sublessee on the Sublease Commencement Date. Sublessee acknowledges and agrees that Sublessor has made no representations or warranties whatsoever regarding (a) the square footage of the Franchised Location, (b) the condition of the Franchised Location, (c) the condition of any existing tenant improvements or (d) compliance with zoning or restrictive covenants unless otherwise expressly provided for in this Sublease. Sublessee shall, at its own cost and expense, keep and maintain the exterior and interior of the Franchised Location, including sidewalks adjacent thereto, in good and sanitary order, condition and repair. Sublessee hereby waives the provisions of California Civil Code Sections 1941 and 1942, or any comparable law, with respect to Sublessee's right to make repairs and deduct the expenses of such repair from rent.

4.2 **Use** Sublessee shall not use the Franchised Location for any purpose other than operating the Restaurant as a La Salsa® Franchisee of Franchisor. Sublessee acknowledges that neither Master Landlord nor Sublessor, nor any agent acting on their behalf, has made any representation or warranty with respect to the suitability of the Franchised Location for the conduct of Sublessee's business.

4.3 **Tenant Improvements** Sublessee is solely responsible for the construction, repair and maintenance of any leasehold improvements desired by Sublessee, as well as the demolition of any existing leasehold improvements if necessary, following prior notice to and approval by Sublessor and Master Landlord as provided in the Master Lease.

4.4 **Signs** Sublessee shall erect only such signs on the Franchised Location as are allowed by the Franchise Agreement and the Master Lease.

INSURANCE

5.1 **Incorporated by Reference** The insurance provisions of the Master Lease are expressly incorporated into this Sublease by reference. Sublessee shall be solely responsible for obtaining and maintaining all insurance required by the Master Lease and the Franchise Agreement, at Sublessee's own cost and expense, throughout the Sublease Term. Insurance required of Sublessee under this Sublease shall, in Sublessor's sole discretion, equal or exceed the insurance required of Sublessor as Tenant under the Master Lease.

5.2 **Required Coverage** Sublessee shall be solely responsible for obtaining and maintaining public liability insurance from a responsible insurance company licensed to do business in the state in which the Franchised Location is located during the entire term of this Sublease in amounts not less than those required by the Franchise Agreement and the Master Lease. At least ten (10) days prior to the time any insurance is first required to be carried by Sublessee, and thereafter at least thirty (30) days prior to the expiration of any policy, Sublessee shall deliver to Sublessor, Franchisor and the Master Landlord Certificates of Insurance evidencing the proper types and minimum amounts of required coverage insurance on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Sublessor, Franchisor and the Master Landlord in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section 5 shall name Sublessor, Franchisor and the Master Landlord, and each of their affiliates, partners, shareholders, directors, agents, members and employees as additional insureds and as additional loss payees, and shall expressly provide that any interest of each shall not be affected by any breach by Sublessee of any policy provisions for which such Certificates evidence coverage.

5.3 **Waiver of Subrogation** Sublessor and Sublessee each waive their right to sue and recover damages against each other with respect to any liability arising under the Master Lease or this Sublease and which is required to be covered by any insurance policy in the Master Lease or this Sublease. Each party agrees to endeavor to cause its insurer to waive its rights against the other party in the event of an insured casualty which is not caused by the willful misconduct of the other party.

5.4 **Sublessee's Insurance Obligation Not Affected By Sublessor's Insurance** Sublessee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Sublessor, nor shall Sublessee's performance of that obligation relieve Sublessee of liability under the indemnity provisions set forth in this Sublease.

5.5 **Additional Required Endorsement** All public liability and property damage policies shall contain a provision that Sublessor, Operating Company, the Master Landlord and their affiliates, although named as an additional insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to Sublessor, Operating Company, the Master Landlord or their affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Sublessee or its partners, shareholders, directors, agents, or employees.

5.6 **Right to Secure Insurance on Behalf of Franchisee** Should Sublessee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Sublessor in the Manual or otherwise in writing, Sublessor and/or Operating Company shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge same to Sublessee, which charges, together with the expenses of Sublessor and/or Operating Company in so acting, shall be payable by Sublessee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Sublessor and Operating Company may have.

5.7 **Sublessee's Property** Sublessee shall be solely responsible for insuring Sublessee's own property at the Franchised Location. Sublessor shall not be responsible for loss or damage to the personal property of Sublessee, its sublessees, employees, customers or invitees, in the absence of the receipt of an insurance payment by Sublessor attributable to such loss (in which event said payment shall be delivered forthwith to Sublessee), or unless such loss or damage was occasioned by the willful misconduct of Sublessor, its agents, servants or employees but subject in any event to Section 5.3 of this Sublease.

6 **DAMAGE TO PREMISES AND CONDEMNATION**

If any part of the Franchised Location is condemned or damaged by fire or other casualty during the term of this Sublease, this Sublease shall remain in full force and effect unless and until the Master Lease is canceled. If the Master Lease is canceled for such cause, Sublessee's obligations under this Sublease shall abate as of the date of such cancellation. Otherwise, Sublessee's obligations shall abate only to the actual extent and for the duration that Sublessor's obligations are reduced under the Master Lease. If the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction or condemnation of the Franchised Locations or the building or project of which the Franchised Location is a part, the exercise of such right by Sublessor shall not constitute a default or breach hereunder.

7 **OBLIGATIONS UNDER MASTER LEASE**

7.1 **Assumption by Sublessee** Sublessee expressly assumes all of the responsibilities and obligations imposed upon Sublessor as the tenant under the terms of the Master Lease. All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublessor were the master landlord thereunder, Sublessee the tenant thereunder, and the "**Premises**", the Franchised Location, except as otherwise specifically provided herein. Any obligation of Sublessor which is contained in this Sublease by the incorporation by reference of the provisions of the Master Lease may be observed or performed by Sublessor using reasonable efforts to cause the Master Landlord to observe and/or perform the same, provided, however, that Sublessee shall pay any cost or expense, including, without limitation, attorneys' fees incurred by Sublessor in causing the Master Landlord to observe and/or perform the same. Sublessor shall have a reasonable time to enforce its rights to cause such observance or performance by the Master Landlord. Sublessor shall not be required to furnish, supply or install anything required under any article of the Master Lease. Sublessee assumes and agrees to perform the tenant's obligations under the Master Lease during the Sublease Term to the extent that such obligations are applicable to the Franchised Location, except that the obligation to pay rent to the Master Landlord under the Master Lease shall be considered performed by Sublessee to the extent and in the amount rent is paid to Sublessor by Sublessee in accordance with Section 2 of this Sublease. Sublessee shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. In the event any inconsistency arises regarding the obligations of Sublessee under the Master Lease and the obligations of Sublessee under this Sublease, the more stringent obligations shall be binding upon Sublessee.

7.2 **Obligations of Sublessor** Any obligation of Sublessor which is contained in this Sublease by the incorporation by reference of the provisions of the Master Lease may be observed or performed by Sublessor using reasonable efforts to cause the Master Landlord to observe and/or perform the same, provided, however, that Sublessee shall pay any cost or expense (including, without limitation, attorneys' fees) incurred by Sublessor in causing the Master Landlord to observe and/or perform the same. Sublessor shall have a reasonable time to enforce its rights to cause such observance or performance by the Master Landlord. Sublessor shall not be required to furnish, supply or install anything required under any article of the Master Lease.

7.3 **Master Landlord's Obligations** Sublessor shall not be liable to Sublessee for the defaults of Master Landlord under the Master Lease.

INDEMNITY

8.1 **Generally** Sublessee shall indemnify, hold harmless, and defend Sublessor from all claims, costs, damages, liabilities and losses incurred by Sublessor, including reasonable attorneys' fees and costs of suit, as a result of Sublessee's default under this Sublease or the Master Lease, or as the result of any act or failure to act by Sublessee, its agents, employees, customers, invitees, licensees, successors, heirs or assigns, or any and all persons coming upon or near the Franchised Location with regard to the Franchised Location.

8.2 **Hazardous Materials** Sublessee agrees to indemnify and hold Sublessor harmless from any and all costs of any remedial action or cleanup of Hazardous Materials suffered or incurred by Sublessor arising out of or relating to Sublessee's use of the Franchised Location. **Hazardous Materials** means any hazardous, toxic, infectious or radioactive substances, wastes or materials listed or defined by any federal or state environmental law.

DEFAULT

9.1 **Notice, Cure** Sublessee shall cure any failure to perform Sublessee's obligations under this Sublease or the Master Lease (a) within three (3) days after receiving notice of any monetary default or (b) within ten (10) days after receiving notice of any non-monetary default, except that if Sublessee cannot reasonably cure the non-monetary default within ten (10) days, Sublessee shall have up to thirty (30) days to complete the cure, so long as Sublessee proceeds with due diligence. If Sublessee fails to cure defaults during the grace periods specified above, Sublessor shall have the right to declare a default under this Sublease.

9.2 **Remedies** Sublessor shall have the following rights and remedies upon a default by Sublessee under this Sublease:

9.2.1 Sublessor may terminate this Sublease and upon such termination, Sublessor may recover from Sublessee:

a. The worth at the time of the award of the unpaid Rent which has been earned at the time of termination,

b. The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided,

c. The worth at the time of the award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss for said period that Sublessee proves could have been reasonably avoided, and

d. Any other amount necessary to compensate Sublessor for all the detriment proximately caused by Sublessee's failure to perform its obligation under this Sublease or which in the ordinary course of things would be likely to result therefrom.

The 'worth at the time of the award' of the amounts referred to in Sections 9.2.1(a) and (b) above is computed by allowing interest at the legal rate. The worth at the time of the award of the amount referred to in subsection (c) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%).

9.2.2 Sublessor may relet the Franchised Location prior to the time of any award for breach of this Sublease by Sublessee. In such case, if Sublessor proves that in reletting the

Franchised Location Sublessor acted reasonably and in good faith to mitigate damages, Sublessor shall be entitled to an award for Sublessee's termination of this Sublease. Such award shall consist of the worth at the time of the award of the amount by which the unpaid rent for the balance of the Sublease Term after the time of award exceeds the amount of such rental loss that Sublessee proves could be reasonably avoided.

9 2 3 Efforts by Sublessor to mitigate the damages caused by Sublessee's breach of this Sublease do not waive Sublessor's right to recover damages.

9 2 4 Nothing herein affects the right of Sublessor under this Sublease to indemnification for liability arising prior to the termination of this Sublease for personal injuries or property damage.

9 3 **Sublease Remains in Effect** Even when Sublessee has breached this Sublease and abandoned the Franchised Location, this Sublease shall remain in effect for so long as Sublessor does not terminate Sublessee's right to possession, and Sublessor may enforce all its rights and remedies under this Sublease, including the right to recover Rent and Master Lease Payments as they become due under this Sublease. The following do not constitute a termination of Sublessee's right to possession:

9 3 1 Acts of maintenance or preservation, or efforts to relet the Franchised Location, or

9 3 2 The appointment of a receiver on initiation by Sublessor to protect its interest under this Sublease.

9 4 **Cure by Sublessor** Sublessor shall have the right, but not the obligation, to cure any default by Sublessee. Sublessee shall repay any costs incurred by Sublessor in doing so upon Sublessor's written demand. All amounts owed hereunder shall be considered rent and shall bear interest at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less, from five (5) days after such demand to the date of payment.

9 5 **Cross-Default** If Sublessee (or any Guarantor, officer or director of or a shareholder in Sublessee, if Sublessee is a corporation, or a general or limited partner of Sublessee, if Sublessee is a partnership, or a member, if Sublessee is a limited liability company) or any other Sublessee of Sublessor or any other Franchisee of Franchisor which controls, is controlled by or is under common control with Sublessee, fails to comply with any or all of the terms of this Sublease or the Master Lease or with any other Agreement between Franchisor, Sublessor, or their affiliates, including, without limitation, the Franchise Agreement, such failure to comply shall be deemed to be a default under this Sublease and each and every other such agreement. In the event of the termination of this Sublease for any cause, or the termination of any other Agreement between Franchisor, or its affiliates, and Sublessee, or between Sublessor, or its affiliates, and Sublessee, Franchisor and Sublessor, as the case may be, may, at their option, terminate any or all of such other Agreements.

9 6 **Remedies Cumulative** The remedies specified in this Sublease are cumulative and in addition to any other remedies which may be available at law or in equity.

10 **ASSIGNMENTS**

Sublessee shall not assign or sublet the Franchised Location, in full or in part without Sublessor's prior written consent in each instance, which Sublessor may withhold in its sole discretion. If Sublessor consents to any assignment or sublease, Sublessor shall be entitled to the amount that any assignee's or subtenant's rent exceeds Rent **plus** Sublessor's costs of subletting (including attorneys' fees and real estate commissions) and the cost of unamortized tenant improvements paid for by Sublessee. It is expressly

acknowledged that any assignment or sublease of this Sublease by Sublessee may be subject to the prior consent of Master Landlord and no assignment or sublease, even if consented to by Sublessor, shall be effective unless and until Master Landlord's consent is also obtained, if needed. Any assignment without the requisite consents shall be void and shall, at the option of Sublessor, terminate this Sublease.

11 **NOTICES**

Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Sublessor

LAS Acquisition, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: Chief Executive Officer
Facsimile No. (949) 270-8901

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq.
Lewitt Hackman
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No. (818) 981-4764

If to Sublessee

Attention: _____
Facsimile No. _____

Sublessee shall promptly provide Sublessor with a copy of all notices received from Master Landlord regarding the Franchised Location, the Master Lease or this Sublease. Either party may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party.

12 **ENTIRE AGREEMENT, SEVERABILITY AND CONSTRUCTION**

12.1 **Entire Agreement** This Sublease, any Attachments hereto, and any ancillary agreements between Sublessee and Sublessor, or any affiliate, which are executed contemporaneously with this Sublease, constitute the entire and complete Sublease between Sublessor (and if applicable, any affiliate) and Sublessee concerning the subject matter thereof, and supersede all prior agreements. Sublessee acknowledges that Sublessee is entering into this Sublease, any attachments and ancillary agreements executed contemporaneously herewith, as a result of its own independent investigation of the business franchised hereby and not as a result of any representation made by Franchisor, Sublessor or persons associated with Franchisor or Sublessor, or other Franchisees, which are contrary to the terms herein set forth or which are contrary to the terms of the La Salsa Franchise, LLC, Uniform Franchise Disclosure Document (the **Disclosure Document**), or other similar document required or permitted to be given to Sublessee pursuant to applicable law. No

amendment, change or variation of the terms of this Sublease shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing

12 2 **Severability and Construction** Except as expressly provided to the contrary herein, each section, paragraph, part, term and provision of this Sublease shall be considered severable, and if, for any reason, any section, paragraph part term, provision and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions and/or covenants of this Sublease as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and the invalid portions, sections, paragraphs, parts, terms, provisions and/or covenants shall be deemed not to be a part of this Sublease Neither this Sublease or any uncertainty or ambiguity in this Sublease shall be construed or resolved against the drafter of this Sublease, whether under any rule of construction or otherwise On the contrary, this Sublease has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Sublease Sublessor and Sublessee intend that if any provision of this Sublease is susceptible to (2) two or more constructions, one (1) of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable

12 3 **Survival of Obligations After Expiration or Termination of Agreement** Any provision or covenant of this Sublease which expressly or by its nature imposes obligations beyond the expiration or termination of this Sublease shall survive such expiration or termination

12 4 **Survival of Modified Provisions** Sublessee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Sublease, as though it were separately articulated in and made a part of this Sublease, that may result from striking from any of the provisions of this Sublease any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Sublessor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order

12 5 **Captions** All captions in this Sublease are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Sublease

12 6 **Responsibility** The term "Sublessee" as used in this Sublease shall refer to each person executing this Sublease as Sublessee, whether such person is one (1) of the spouses, partners shareholders, members, trustees, trustors or beneficiaries or persons named as included in Sublessee, and shall apply to each such person as if he were the only named Sublessee in this Sublease

12 6 1 If Sublessee is a married couple, both husband and wife executing this Sublease shall be liable for all obligations and duties of Sublessee under this Sublease as if such spouse were the sole Sublessee under this Sublease

12 6 2 If Sublessee is a partnership or if more than one (1) person executes this Sublease as Sublessee, each partner or person executing this Sublease shall be liable for all the obligations and duties of Sublessee under this Sublease

12 6 3 If Sublessee is a trust, each trustee, trustor and beneficiary signing this Sublease shall be liable for all of the obligations and duties of Sublessee under this Sublease

12 6 4 If Sublessee is a corporation or limited liability company, all shareholders or members executing this Sublease shall be liable for all obligations and duties of Sublessee under this Sublease as if each such shareholder or members were the sole Sublessee under this Sublease. In addition, each present and future shareholder or member of Sublessee shall jointly and severally guarantee Sublessee's performance of each and every provision of this Agreement by executing a Guarantee in the form attached to this Sublease as **Attachment B**, provided, however that no Guarantee shall be required from a shareholder who acquires Sublessee's securities after Sublessee becomes registered under the Securities Exchange Act of 1934.

12 6 5 If Sublessee is in breach or default under this Sublease, Sublessor may proceed directly against each such spouse, partner, signatory to this Sublease, shareholder, member, trustee, trustor or beneficiary without first proceeding against Sublessee and without proceeding against or naming in such suit any other Sublessee, partner, signatory to this Sublease, shareholder, member, trustee, trustor or beneficiary. The obligations of Sublessee and each such spouse, partner, person executing this Sublease, shareholder, member, trustee, trustor and beneficiary shall be joint and several.

12 6 6 Notice to or demand upon one (1) spouse, partner, person signing this Sublease, shareholder, member, trustee, trustor or beneficiary shall be deemed notice to or demand upon Sublessee and all such spouses, partners, persons signing this Sublease, shareholders, members, trustees, trustors and beneficiaries, and no notice or demand need be made to or upon all such Sublessee's, spouses, partners, persons executing this Sublease, shareholders, members, trustees, trustors or beneficiaries.

13 APPLICABLE LAW

13 1 Choice of Law This Sublease shall be interpreted and construed under the laws of the state in which the Franchised Location is located.

13 2 Nonexclusivity of Remedy No right or remedy conferred upon or reserved to Sublessor or Sublessee by this Sublease is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

13 3 Limitation of Adjudicative Proceedings Sublessor and Sublessee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

13 4 Right to Injunctive Relief Nothing herein contained shall bar Sublessor's right to seek injunctive relief to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Sublease relating to Sublessee's (a) use of Franchisor's **Proprietary Marks**, (b) obligations upon termination or expiration of this Sublease, (c) assignment or proposed assignment of this Sublease, or any ownership interest in Sublessee or (d) actions covered by the provisions of Section 15 of the Franchise Agreement. Sublessor also shall be able to seek injunctive relief to prohibit any act or omission by Sublessee or its employees that constitutes a violation of any applicable law, is dishonest or misleading to Sublessee's customers or to the public, or which may impair the goodwill associated with Franchisor's **Proprietary Marks**, and Sublessee agrees to pay all costs and reasonable attorneys' fees incurred by Sublessor in obtaining such relief.

13 5 Incorporation of Recitals The Recitals set forth in Paragraphs A through C of this Sublease are true and correct and are herein incorporated by reference into the body of this Sublease.

SECURITY INTEREST

In order to secure payment of all Rent and all other fees, charges, expenses and costs that Sublessee is obligated to pay Sublessor under this Sublease, including, without limitation, real property taxes, utilities, insurance and operating expenses, and all other sums that may become due to Sublessor, or its affiliates, from Sublessee and to secure performance by Sublessee of all obligations of any kind, whenever and however incurred, in favor of Sublessor, or its affiliates, Sublessee hereby grants Sublessor a security interest in and to all leasehold improvements, fixtures, furnishings, equipment, inventory and supplies located at or used in connection with the Restaurant now or hereafter acquired by Sublessee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Sublessee to use Franchisor's Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Sublessee under the Franchise Agreement for the use of Franchisor's Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. Sublessee hereby authorizes Sublessor to prepare and file all Uniform Commercial Code (UCC) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the UCC. If Sublessee is in default of any of the terms and conditions of this Sublease or any other agreements between Sublessor, and its affiliates, and Sublessee, Sublessor may, in its discretion, exercise its rights with respect to its security interest. In such event, Sublessee shall be and remain liable for any deficiency remaining due to Sublessor and shall be entitled to recover any surplus which results after application of the proceeds derived from the enforcement of Sublessor's security interest.

ACKNOWLEDGMENTS

15.1 **Recognition of Business Risks** Sublessee acknowledges that Sublessee has conducted an independent investigation of the proposed Franchise, and recognizes that the business venture contemplated by the Franchise Agreement and this Sublease involves business risks and that Sublessee's success will be largely dependent upon the ability of Sublessee as an independent business person. Sublessor expressly disclaims the making of, and Sublessee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential sales, income, profits or success of the Restaurants.

15.2 **Receipt of Disclosure Document** Sublessee acknowledges that it has received a copy of the complete Disclosure Document for La Salsa® Restaurants which contains a copy of this Sublease, at least fourteen (14) calendar days prior to the date on which this Sublease was executed. Sublessee further acknowledges that Sublessee has received a copy of the complete Sublease, the Attachments thereto and agreements relating thereto, if any prior to the date on which this Sublease was executed. Sublessee acknowledges and agrees that Sublessor has made no promises, representations, warranties or assurances to Sublessee which are inconsistent with the terms of this Sublease or the Disclosure Document, concerning the profitability or likelihood of success of the Restaurant at the Franchised Location that Sublessee has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Sublessee's business ability and aptitude is primary in determining his success.

15.3 **Review of Disclosure Document** Sublessee acknowledges that Sublessee has read and understood this Sublease, the Attachments hereto and Agreements relating thereto, if any, and that Sublessor has accorded Sublessee ample time and opportunity to consult with advisors and counsel of Sublessee's own selection about the potential benefits and risks of entering into this Sublease.

15.4 **Attorneys' Fees** If Sublessor becomes a party to any legal proceedings concerning this Sublease, the Master Lease, the Restaurant or the Franchised Location by reason of any act or omission of Sublessee, or the authorized representatives of Sublessee, Sublessee shall be liable to Sublessor for the reasonable attorneys' fees and court costs incurred by Sublessor in the legal proceedings. If either party

commences a legal action against the other party arising out of or in connection with this Sublease, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit

15.5 **Atypical Arrangements** Sublessee acknowledges and agrees that Sublessor has made no warranty or representation that all subleases previously issued or issued after this Sublease by Sublessor do or will contain terms substantially similar to those contained in this Sublease. Sublessor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other subleases previously executed or executed after the date of this Sublease with other sublessees of Sublessor in a non-uniform manner.

15.6 **Additional Documents** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Sublease.

15.7 **Counterparts and Electronic Copies** This Sublease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Sublease with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Sublease for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Sublease. In addition, this Sublease may be signed electronically by the parties and electronic signatures appearing on this Sublease shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Sublease.

IN WITNESS WHEREOF, the parties have executed this Sublease on the date first shown above.

SUBLESSOR

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

SUBLESSEE

[] A _____ corporation,
[] A _____ limited liability company,
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

L:\pkaravanich\Mj Documents\La Salsa\2016 Filed\DOCX
2016 LA SALSA SECURITY AGREEMENT

**LA SALSA FRANCHISE, LLC
SUBLEASE**

**ATTACHMENT A
MASTER LEASE**

**LA SALSA FRANCHISE, LLC
SUBLEASE**

**ATTACHMENT B
GUARANTEES**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT H
GUARANTEES**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT I
ASSUMPTION AGREEMENT**

LA SALSA FRANCHISE, LLC

ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT (this Agreement) is made this ___ day of _____, by and between LAS Acquisition, LLC, a Delaware limited liability company (**Seller**), on the one hand, and _____ a _____ (**Buyer**), on the other hand, with reference to the following facts

A On _____, Seller and Buyer entered into an Asset Purchase Agreement (the **Purchase Agreement**) pursuant to which Seller sold to Buyer all of Seller's right, title and interest in and to the Assets of the La Salsa® Restaurant described on **Attachment A** attached to the Purchase Agreement (the **'Restaurant'**)

B Section 2(a)(iv) of the Purchase Agreement provides that Buyer shall purchase all **Licenses** maintained by Seller and used by Seller in the operation of the Restaurant, to the extent that they are transferable, and Section 4(b) of the Purchase Agreement provides that Buyer shall assume (i) each and all of the **'Assumed Liabilities'** (as defined in Section 4(b) of the Purchase Agreement) of the Restaurant and (ii) each and all of the obligations of Seller under the **'Service Agreements'** (as defined in Section 2(a)(ii) of the Purchase Agreement) and under the **Other Contracts** (as defined in Section 7(m) of the Purchase Agreement) for the Restaurant on the **Closing Date**" (as defined in Section 6(b) of the Purchase Agreement)

C The parties desire to enter into this Agreement to provide for Buyer's purchase of the Licenses and for Buyer's assumption of all of the obligations described in Section 4(b) of the Purchase Agreement and Paragraph B of this Agreement on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The Recitals set forth in Paragraphs A through C of this Agreement are true and correct and are herein incorporated into the body of this Agreement as part of this Agreement

2 LICENSES

Seller hereby assigns, transfers and conveys to Buyer all of Seller's right, title and interest in and to the Licenses, to the extent they are transferable Buyer hereby assumes all obligations under the Licenses from and after the date of this Agreement

3 ASSUMED LIABILITIES

For purposes of this Agreement the term **Assumed Liabilities**" shall mean and refer to each and all of the following (i) the contracts, leases, agreements and liabilities listed on Schedule 3(a) attached to this Agreement and incorporated into this Agreement by reference, **plus** (ii) the obligations of Seller under the Service Agreements listed on Schedule 3(b) attached to this Agreement and incorporated into this Agreement by reference, **plus** (iii) the Other Contracts listed on Schedule 3(c) attached to this Agreement and incorporated into this Agreement by reference

4 **ASSIGNMENT AND ASSUMPTION OF ASSUMED LIABILITIES**

Seller hereby assigns, transfers and conveys to Buyer all of Seller's right, title and interest in and to the Service Agreements and the Other Contracts. Buyer hereby assumes and promises to pay and perform all of the Assumed Liabilities, including, without limitation, the Service Agreements and the Other Contracts, from and after the date of this Agreement.

5 **INDEMNIFICATION**

Buyer shall indemnify, defend and hold Seller free and harmless from and against any and all "Losses" (as defined below), which Seller shall incur or suffer which arise or result from the operation or conduct of the business of the Restaurant by Buyer following the Preliminary Closing Date, from any default of Buyer arising under the Licenses and from any default of Buyer with respect to the Assumed Liabilities. "Losses" shall mean any and all obligations, liabilities, costs (including reasonable attorneys' fees), expenses, damages and losses actually incurred by Seller, net of any insurance proceeds and material tax adjustments, benefits, savings or reductions to which Seller is entitled by virtue of such obligations, liabilities, costs, expenses, damages and losses, provided however, that "Losses" exclude all consequential damages of any kind (including, without limitation, loss of revenue or income, cost of capital or loss of business reputation or opportunity).

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

SELLER

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

BUYER

[] A _____ corporation,
[] A _____ limited liability company,
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT J
BILL OF SALE**

LA SALSA FRANCHISE, LLC

BILL OF SALE

Pursuant to and in accordance with that certain Asset Purchase Agreement dated _____, _____ (the **Purchase Agreement**), by and between LAS Acquisition, LLC, a Delaware limited liability company ("**Seller**"), on the one hand, and _____, a _____ ("**Buyer**"), on the other hand, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby sells, conveys, transfers, assigns and delivers to Buyer the assets (the "**Assets**") of the La Salsa® Restaurant known as La Salsa #_____ located at _____ as set forth in Sections 2(a) and 2(c) of the Purchase Agreement. Seller hereby represents and warrants that Seller has good and marketable title to each of the Assets and, in each case, the Asset is free and clear of any liens, claims, judgments, taxes, encumbrances, security interests, debts or adverse claims of any kind, except as otherwise disclosed in the Purchase Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale as of _____

SELLER

LAS ACQUISITION, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT K
GENERAL RELEASE**

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

GENERAL RELEASE

_____ a _____
(' Buyer') and _____ (" Guarantors') enter into this General
Release on _____, _____, with reference to the following facts

1 On _____, _____, LAS Acquisition, LLC, a Delaware limited liability company (' Seller') and Buyer entered into an Asset Purchase Agreement (the **Purchase Agreement**) pursuant to which on the date hereof (the **Closing Date**), Seller sold to Buyer all of Seller s right, title and interest in and to the assets (the **Assets**) of the La Salsa® Restaurant known as La Salsa #_____ described on **Attachment A** attached to the Purchase Agreement (the **Restaurant**), which is located at the premises (the "**Franchised Location** ") described on **Attachment B** attached to the Purchase Agreement In connection with the Purchase Agreement (i) Buyer sublet the Franchised Location from Seller under a Sublease between Buyer and Seller (the '**Sublease** '), (ii) Buyer agreed to operate the Restaurant as a Franchisee of La Salsa Franchise, LLC, a Delaware limited liability company ("**Franchisor**"), under a Franchise Agreement (the "**Franchise Agreement** ") with Franchisor for the Restaurant, and (iii) [if applicable, Buyer executed an Area Development Agreement in favor of Franchisor (the '**Development Agreement** ')], and (vii) Guarantors executed Personal Guarantees (the **Guarantees**) of the Purchase Agreement, the Assumption Agreement, the Sublease, the Franchise Agreement [and the Development Agreement] in favor of Franchisor effective as of the Closing Date

2 For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Guarantors hereby release and forever discharge Seller and Franchisor, and their subsidiaries and affiliated companies, and their respective directors, officers, shareholders, partners, employees, members, managers, attorneys and agents, and their respective heirs, successors and assigns, and each of them, from any and all obligations, liabilities, losses, demands, damages, costs, expenses, claims, actions and causes of action, of whatever nature, character or description, known or unknown, based upon anything that has occurred or existed, or failed to occur or exist (collectively the **Damages**"), from the beginning of time to the date of this Agreement, including, without limitation, Damages based on, arising from or relating to the Purchase Agreement, the Assets, the Franchised Location, the Assumption Agreement, the Sublease, the Franchise Agreement, [the Development Agreement] and the Guarantees, and any right or benefit which Buyer or Guarantors may have under California Civil Code Section 1542, or any comparable statute, which reads as follows

"Section 1542 General Release, Effects A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing this release, which if known by him or her must have materially affected his settlement with the debtor "

3 This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release, and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled

4 This General Release shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Release as of the day and year set forth above

BUYER

- ☐ A _____ corporation,
- ☐ A _____ limited liability company,
- ☐ A _____ general partnership,
- ☐ A _____ limited partnership,
- ☐ An individual
- ☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

GUARANTORS

**LA SALSA FRANCHISE, LLC
ASSET PURCHASE AGREEMENT**

**ATTACHMENT L
PRELIMINARY BUSINESS PURCHASE AGREEMENT**

1

L \pkaravanich\My Documents\La Salsa\2016 Filed\D DOCX
2016 LA SALSA PRELIMINARY BUSINESS PURCHASE AGREEMENT

extent, assumable), all of the useable stock-in-trade, retail inventory and supplies located at the Restaurant, all licenses and permits maintained by Seller (to the extent that they are transferable) and all telephone numbers and facsimile numbers

Excluded Assets All cash in banks associated with the Restaurant, the business records which relate to the operation of the Restaurant prior to the Closing Date, all refunds of federal, state or local income or franchise taxes or worker's compensation insurance premiums due Seller as of the Closing Date and all goodwill and intellectual property rights of Seller

All equipment at the Restaurant (the '**Equipment**') will be in working order on the Closing Date. All remaining Assets will be sold "AS IS". SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND WITH RESPECT TO THE ASSETS, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THOSE WITH RESPECT TO THE CONDITION OF THE ASSETS, THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR THE LIKE. There will be no abatement of the Purchase Price and Seller will have no liability to Buyer for any claim, loss or damage as a result of any operating deficiency or defect in the Assets, the use or performance of the Assets, or any interruption or loss of service or of use of the Assets.

Seller and Buyer will conduct a walkthrough of the Restaurant on or before the Closing Date (the '**Walk Through**') to determine the condition of the Equipment at the Restaurant and Seller will prepare a written list of any necessary repairs to be made (the '**Repair List**') to the Equipment at the Walk Through. The Repair List will be the final and conclusive listing of all repairs to be made to the Equipment as of the Closing Date for all purposes, and Seller will have no responsibility whatsoever for any repairs which are not listed on the Repair List prepared at the Walk Through. Unless the parties agree otherwise, Seller will complete all repairs on the Repair List within thirty (30) days after the Closing Date.

D LIABILITIES TRANSFERRED

The following Service Agreements _____ (if any)

Other _____ (if any)

E FINANCING

Buyer will have sixty (60) days from the date this Agreement is signed by Seller to obtain financing of the Purchase Price from a third-party lender, if necessary. If Buyer is unable to obtain third-party financing, Seller may finance up to \$_____ of the Purchase Price, in which case Buyer must proceed with the purchase of the Assets, or Seller may terminate the transaction and return the Initial Deposit to Buyer. Seller's financing will be based upon a ten (10) year amortization, all due and payable within thirty (30) months, with interest at a variable interest adjusted every six (6) months after the Closing Date at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum plus a loan fee equal to one half (1/2) of one percent of the amount financed by Seller (the '**Loan Fee**'). On the Closing Date, Buyer will execute and deliver to Seller a Promissory Note in favor of Seller in the amount financed (the '**Purchase Note**'). Payment of the Purchase Note will be secured by a security interest granted to Seller by Buyer in the Assets in accordance with a Security Agreement (the '**Security Agreement**') to be executed by Seller and Buyer on the Closing Date.

F PAYMENTS REQUIRED IN ADDITION TO PURCHASE PRICE

Prior to the commencement of training, Buyer will deposit \$10,000 with the Escrow Holder as an Initial Training Fee. On the Closing Date, Buyer will pay the balance of the \$50,000 initial franchise fee due to La Salsa Franchise, LLC, a Delaware limited liability company ('Franchisor'), the first month's rent and estimated monthly occupancy expenses for the Business Premises, a security deposit equal to two (2) month's estimated rent and monthly occupancy expenses for the Business Premises, \$3,000 for Seller's legal fees for the asset purchase and franchise documents, all Loan Fees, \$3,500 for Seller's legal and document preparation fees, as applicable, and any charges assessed by the Master Landlord to obtain the Master Landlord's approval of the Sublease or assignment of the Master lease, as applicable.

G SUBLEASE

Buyer will sublease the Franchised Location from Seller under a Sublease to be executed by Seller and Buyer on the Closing Date. The expiration date, options to extend (if any), monthly rent and occupancy expenses for the Franchised Location will be identical to the expiration date, options to extend (if any), monthly rent and occupancy expenses provided to Seller under Seller's Lease for the Franchised Location (the 'Master Lease'). The current rent for the Franchised Location are \$_____ per month. The current occupancy expenses for the Franchised Location are \$_____ per month. Buyer hereby acknowledges receipt of a copy of the Master Lease.

H FRANCHISE AGREEMENT

As a transaction separate and apart from the sale and purchase of the Assets, Buyer will acquire a license to operate the Restaurant under a Franchise Agreement (the 'Franchise Agreement') with Franchisor to be executed by Franchisor and Buyer on the Closing Date.

I INITIAL TRAINING PROGRAM

Buyer will execute Franchisor's Initial Training Agreement (the 'Initial Training Agreement') following the parties' execution of this Agreement. Buyer must attend and complete Franchisor's Initial Training Program for franchisees offered by Franchisor to Franchisor's satisfaction, in accordance with the terms of the Initial Training Agreement, in order to become eligible to become a franchisee of Franchisor. Buyer hereby authorizes the Escrow Holder to release the Initial Training Fee to Franchisor upon demand by Franchisor without any further instructions or authorization from Buyer to the Escrow Holder.

J PRORATIONS AND DEPOSITS, TAXES, ESCROW CHARGES

All rents, sewer charges, water charges, public utility charges, real and personal property taxes and other like expenses levied or assessed against the Assets and the Restaurant will be prorated between Seller and Buyer as of the Closing Date. Buyer will pay all sales and/or use taxes arising from the sale of the Assets by Seller to Buyer. Seller and Buyer will equally pay all escrow fees and other related closing costs.

K BULK SALE ESCROW

Seller and Buyer will comply with the Bulk Sales Law provisions of Division 6 of the Uniform Commercial Code, as the law applies in the State where the Restaurant is located, unless Seller and Buyer waive compliance with the same, in writing, on or before the Closing Date.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

L SECURITY INTERESTS

As a condition to the close of escrow, Buyer will grant Seller and Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used in connection with the Restaurant, now or hereafter acquired by Buyer, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Buyer to use the La Salsa® marks, trade names, trade styles, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Buyer under the Franchise Agreement for the use of such marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Buyer to Seller and Franchisor

M SELLER TO OPERATE IN ORDINARY COURSE OF BUSINESS

During the period from the date of this Agreement to the Closing Date, Seller shall conduct the operations of the Restaurant only in the ordinary and usual course of business consistent with past practices

N INDEMNIFICATION

Buyer will indemnify, defend and hold Seller free and harmless from and against any and all Losses which Seller shall incur or suffer which arise or result from any injuries sustained by Buyer while at the Restaurant prior to the Closing Date and from the operation or conduct of business at the Restaurant by Buyer at any time after the Closing Date, from any breach of Buyer's representations, warranties or covenants and from any assumed liabilities Seller will indemnify, defend and hold Buyer free and harmless from and against any and all Losses which Buyer shall incur or suffer which arise or result from the operation or conduct of business at the Restaurant by Seller at any time before the Closing Date, only if the aggregate Losses exceed \$5,000 (the **Indemnification Threshold**), only to the extent of the excess of the Losses over the Indemnification Threshold and only if a claim for Losses is submitted in writing by Buyer to Seller within one (1) year after the Closing Date 'Losses' will mean any and all obligations, liabilities, costs (including reasonable attorneys' fees), expenses, damages and losses actually incurred by Seller or Buyer, as the case may be

O TERMINATION

This transaction may be terminated at any time prior to the Closing Date by Seller, if there has been a breach by Buyer of any representation, warranty, covenant or agreement on the part of Buyer which Buyer fails to cure within five (5) days after written notice thereof is given by Seller (except that no cure period will be provided for a breach by Buyer which by its nature cannot be cured) Buyer will have no right to terminate this Agreement If this Agreement is terminated by Seller, the obligations of Seller to complete the transactions contemplated by this Agreement will expire and Seller will have no further obligations under this Agreement

P ACKNOWLEDGEMENTS BY BUYER

Buyer acknowledges and agrees as follows

- 1 Buyer has had the opportunity to review and approve, and hereby approves, the Financial Statements for the Business heretofore provided to Buyer by Seller, the Guarantees, the Master Lease, the Sublease, the Franchise Agreement and the Initial Training Agreement

BUYER'S INITIALS

2 Buyer has completed all due diligence to be undertaken by Buyer for the purchase of the Business. There is no remaining due diligence to be undertaken by Buyer following the date of this Agreement.

BUYER'S INITIALS

3 All equity owners of an entity Buyer and their spouses must personally guarantee the obligations of Buyer under the Asset Purchase Agreement, Initial Training Agreement, Assumption Agreement, Sublease, General Release, Franchise Agreement and Attachments, Purchase Note and Security Agreement [IF APPLICABLE] under a written Guarantee (the 'Guarantee') to be submitted by Seller on or before the Closing Date.

BUYER'S INITIALS

4 IT WOULD BE DIFFICULT TO MEASURE SELLER'S AGGREGATE DAMAGES IN THE EVENT OF A BREACH OF THIS AGREEMENT BY BUYER AND ACCORDINGLY, IN ADDITION TO, AND WITHOUT LIMITING ANY REMEDIES THAT MAY BE AVAILABLE TO SELLER FOR A BREACH OF THIS AGREEMENT, BUYER ACKNOWLEDGES AND AGREES THAT A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES IS THE ENTIRE INITIAL DEPOSIT FOR THE PURCHASE OF AN OPERATING BUSINESS, WHICH IN NO WAY REPRESENTS A PENALTY OF ANY SORT. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT IN THE EVENT OF THE TERMINATION OF THIS AGREEMENT AS A RESULT OF BUYER'S BREACH OF THIS AGREEMENT PRIOR TO THE CLOSING DATE, SELLER SHALL BE ENTITLED TO RETAIN THE ENTIRE DEPOSIT AS LIQUIDATED DAMAGES. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT THIS PAYMENT IS A REASONABLE FORECAST OF THE DAMAGES LIKELY TO RESULT FROM SUCH BREACH BECAUSE OF THE LOST OPPORTUNITIES OF SELLER TO SELL THE BUSINESS TO OTHER AVAILABLE BUYERS AND IS NOT A PENALTY OF ANY KIND. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT THE PAYMENT OF LIQUIDATED DAMAGES SHALL NOT BE CONSTRUED AS A RELEASE OR WAIVER BY SELLER OF THE RIGHT TO PREVENT THE CONTINUATION OF ANY BREACH OF THIS AGREEMENT AND SHALL NOT PRECLUDE OR BE CONSTRUED TO PRECLUDE SELLER FROM MAKING A SHOWING OF IRREPARABLE INJURY OR ANY OTHER ELEMENT THAT MAY BE NECESSARY TO SECURE INJUNCTIVE RELIEF.

BUYER HEREBY AUTHORIZES THE ESCROW HOLDER TO RELEASE THE ENTIRE DEPOSIT, LESS ESCROW FEES INCURRED TO DATE, TO SELLER UPON DEMAND BY SELLER FOLLOWING ANY TERMINATION OF THIS AGREEMENT AS A RESULT OF A DEFAULT BY BUYER UNDER THIS AGREEMENT, WITHOUT ANY FURTHER INSTRUCTIONS OR AUTHORIZATION FROM BUYER TO THE ESCROW HOLDER.

BUYER'S INITIALS

SELLER'S INITIALS

5 Buyer has been advised by Seller that the following have been the owners of the Restaurant during the three (3) year period preceding the date of this Agreement _____

Q ATTORNEYS' FEES

If Seller becomes a party to any legal proceedings concerning this Agreement or the Restaurant by reason of any act or omission of Buyer, or its authorized representatives, Buyer will be liable to Seller for the reasonable attorneys' fees and court costs incurred by Seller in the legal proceedings. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party will be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

R CHOICE OF LAW, VENUE

This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.7 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Any action brought by either party shall be brought within the State of California in the County of Orange.

S ASSIGNMENT, SUCCESSORS AND ASSIGNS

Buyer shall not assign all or any part of Buyer's interests in this Agreement without the prior written consent of Seller, which such consent Seller may withhold for any reason, in Seller's sole and absolute discretion. Except as provided herein, this Agreement will be binding upon Seller and Buyer and their respective heirs, successors and assigns.

T CONFIDENTIALITY

Buyer will hold in confidence all documents and information obtained from Seller regarding the Restaurant (the "**Confidential Information**"), and will not disclose or convey any of such Confidential Information to any other person. Buyer may disclose Confidential Information to Buyer's potential lenders, employees, attorneys, accountants, landlords and financial advisors in connection with the purchase of the Restaurant.

U FORMAL DOCUMENTS

As a condition to the close of escrow, Buyer will execute all of the following documents:

Escrow Instructions, Asset Purchase Agreement, Initial Training Agreement, Assumption Agreement, Sublease (with a copy of the Master Lease attached), General Release, Franchise Agreement and Attachments, Addendum for Purchase of Turnkey Unit *[if applicable]*, Purchase Note and Security Agreement *[if applicable]*, Guarantees thereof and Franchise Compliance Certification. The Asset Purchase Agreement will contain customary representations and warranties for Seller and Buyer. Where and to the extent that any of the provisions of the Asset Purchase Agreement or the Attachments to the Asset Purchase Agreement are contrary to, in conflict with or inconsistent with any provision contained in this Agreement, the provisions contained in the Asset Purchase Agreement and the Attachments to the Asset Purchase Agreement shall control.

V CREDIT REPORTS

Seller or its designee may, prior to the Closing Date, through its representatives, access and run the Buyer's credit report. In addition, if, and to the extent, that Seller needs to run Buyer's credit report in connection with the financing for the purchase of the Assets after the Closing Date and through the term of the Franchise Agreement with Franchisor, Buyer shall cooperate with Seller and provide Seller with its consent to access and run the Buyer's credit report upon Seller's request. Buyer shall reimburse Seller for the cost of pulling any such credit reports.

W DUAL REPRESENTATION BY BROKER

Buyer and Seller hereby acknowledge and accept that _____ ("Broker"), is representing both the Buyer and the Seller in this transaction (or in Florida acting as a Transaction Broker), and that it is the fiduciary responsibility of Broker, and its agents, to ethically and professionally assist both Buyer and Seller with integrity, honesty and loyalty. Broker recommends that both Buyer and Seller consult with specialized professionals for tax or legal advice.

X. ENTIRE AGREEMENT

This Agreement and the Escrow Instructions contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements, oral or otherwise, shall be deemed to exist or bind any of the parties hereto, and all prior agreements, understandings and representations are merged herein and superseded hereby.

BUYER

DATE

DATE

ADDRESS

TELEPHONE NUMBER

**SELLER HEREBY ACCEPTS THE ABOVE OFFER UPON
THE TERMS AND CONDITIONS HEREIN STATED AND
TO PAY A COMMISSION TO _____
PER THE LISTING AGREEMENT WITH BROKER**

MANAGING MEMBER

DATE

SCHEDULES

SCHEDULE 2(a)(i)	EQUIPMENT
SCHEDULE 2(a)(ii)	SERVICE AGREEMENTS
SCHEDULE 2(a)(iii)	INVENTORY
SCHEDULE 2(a)(iv)	LICENSES
SCHEDULE 2(a)(v)	TELEPHONE NUMBERS
SCHEDULE 3(g)	ALLOCATION OF PURCHASE PRICE
SCHEDULE 3(h)	RENT AND ESTIMATED EXPENSES
SCHEDULE 4(b)	ASSUMED LIABILITIES
SCHEDULE 7(f)	FINANCIAL STATEMENTS
SCHEDULE 7(l)	LITIGATION
SCHEDULE 7(m)	OTHER CONTRACTS
SCHEDULE 7(n)	EMPLOYEES
SCHEDULE 7(o)	VIOLATIONS

EXHIBIT E

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

EXPRESS RESTAURANT FRANCHISE AGREEMENT

LA SALSA FRANCHISE, LLC
EXPRESS RESTAURANT FRANCHISE AGREEMENT

LA SALSA FRANCHISE, LLC
EXPRESS RESTAURANT FRANCHISE AGREEMENT
TABLE OF CONTENTS

1	GRANT OF LICENSE	1
2	TERM	3
3	FEES	4
4	RECORDKEEPING AND REPORTS	5
5	ADVERTISING AND PROMOTION	5
6	MANUALS	6
7	MODIFICATIONS OF THE SYSTEM	7
8	TRAINING	7
9	ADDITIONAL SERVICES BY FRANCHISOR	8
10	PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION	9
11	PROPRIETARY MARKS	13
12	INSURANCE	15
13	TRANSFERS BY FRANCHISOR	16
14	TRANSFERS BY FRANCHISEE	16
15	COVENANTS	18
16	TERMINATION	20
17	OBLIGATIONS ON TERMINATION OR EXPIRATION	20
18	OPTION TO PURCHASE	22
19	RELATIONSHIP OF THE PARTIES	23
20	INDEMNIFICATION	23
21	CONSENTS, APPROVALS AND WAIVERS	24
22	NOTICES	24
23	DISPUTE RESOLUTION	25
24	MISCELLANEOUS PROVISIONS	26

EXHIBITS

EXHIBIT A
EXHIBIT B
EXHIBIT C

FRANCHISE INFORMATION
FLOOR PLAN
ENTITY INFORMATION DISCLOSURE

LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
EXPRESS RESTAURANT FRANCHISE AGREEMENT

THIS EXPRESS RESTAURANT FRANCHISE AGREEMENT (this 'Agreement') is made and entered into as of _____, _____, by and between La Salsa Franchise, LLC, a Delaware limited liability company (**Franchisor**), on the one hand, and _____, a _____ (**Franchisee**), on the other hand, with reference to the following facts

A As a result of the expenditure of time, skill, effort and money, Franchisor has developed and owns a unique and distinctive system (the **System**) relating to the development, establishment and operation of quick service La Salsa® "taqueria" restaurants. The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress, business methods, technical knowledge, standards and specifications for equipment, equipment layouts, supplies and menus (including food and beverage designations, food presentation, special recipes and quality and quantity standards), operating procedures for sanitation, maintenance and food and beverage storage, preparation and service, and methods and techniques for inventory and cost controls, recordkeeping and reporting, personnel management, training, purchasing, sales pricing, promotion(s) and advertising. The System and its components may be changed, improved and further developed by Franchisor from time to time.

B Franchisor identifies the System by means of certain names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively the "**Marks**"), which Franchisor has designated or may in the future designate for use with the System. The Marks used to identify the System, including the principal Marks, may be modified by Franchisor, and/or its affiliates, from time to time. Franchisor continues to develop, use and control the use of these Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System's high standards of quality, appearance and service.

C Franchisee desires to obtain a nonexclusive license to use the System and the Marks in the operation of one (1) La Salsa® Restaurant (the '**Restaurant**') at a captive market location (such as on toll roads, hotels and motels, casinos, stadiums, arenas, airports, train stations, bus stations, Indian reservations, colleges and universities, recreational theme park schools, hospitals, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire, grocery stores, supermarkets and convenience stores and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider), subject to the terms and conditions of this Agreement and in strict compliance with the standards and specifications established by Franchisor, and its affiliates.

NOW, THEREFORE, IT IS AGREED

1 **GRANT OF LICENSE**

A **License to Operate at Franchised Location** Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the nonexclusive right (the "**License**") to continuously operate the Restaurant and to use the Marks in the operation of the Restaurant. "**Franchised Location**" means

If the Restaurant serves a limited La Salsa® menu (as indicated in the attached Exhibit A and as determined by Franchisor in its discretion), Franchisee may offer and sell at the Franchised Location only those System menu items specified in Exhibit A. The Restaurant is located within a larger building at the street address specified in Exhibit A (the "Facility") and it occupies the physical area of the Facility indicated on the floor plan attached as Exhibit B (the "Franchised Location"). Franchisee may not relocate the Restaurant. Exhibit A also lists the other businesses currently operated by Franchisee at the Facility. Franchisor and its affiliates, reserve to themselves all rights to use and license the System and the Marks other than those expressly granted under this Agreement, including the right to operate or license others to operate La Salsa® Restaurants at locations that directly or indirectly compete with the Restaurant.

B Site Selection

(1) If no Franchised Location has been inserted in the blank space provided above at the time of execution of this Agreement, Franchisee shall promptly following the execution of this Agreement locate one (1) or more proposed sites which meet Franchisor's then current standards and specifications. Franchisee shall submit to Franchisor such demographic and other information regarding the proposed site(s) and neighboring areas as Franchisor shall require, in the form prescribed by Franchisor ("Site Review Request"). Franchisor may seek such additional information as it deems necessary within twenty (20) days of submission of Franchisee's Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts the proposed site, within twenty (20) days of receipt of Franchisee's Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If Franchisor accepts the proposed site it shall notify Franchisee of its preliminary acceptance of the site ("Preliminary Acceptance"), which Preliminary Acceptance shall be subject to further analysis by Franchisor and successful negotiation by Franchisee of a final lease (the "Lease") or purchase agreement acceptable to Franchisor, and such other conditions as Franchisor may impose. Promptly following mutual execution of this Agreement, or Franchisee's receipt of Preliminary Acceptance, if no Franchised Location has been inserted in the blank space provided above, Franchisee shall proceed to negotiate a Lease or purchase agreement for the site and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable, to allow Franchisor at least fifteen (15) days to review the Lease or purchase agreement. Promptly following Franchisor's receipt of the proposed Lease or purchase agreement, as applicable, which meets Franchisor's requirements, and evidence of Franchisee's satisfaction of all conditions set forth in the Preliminary Acceptance, Franchisor shall notify Franchisee ("Final Acceptance"). Franchisee shall not enter into any Lease or purchase agreement for the Franchised Location unless Franchisee has received Final Acceptance relating to the proposed site and such Franchised Location shall be deemed to be the "Franchised Location" as defined above.

(2) Franchisor may voluntarily (without obligation) assist Franchisee in obtaining an acceptable location. Neither Franchisor's said assistance, if any, its acceptance of Franchisee's proposed site, nor its acceptance of the proposed Lease or purchase agreement shall be construed to ensure or guarantee the profitable or successful operation of the Franchised Location by Franchisee and Franchisor hereby expressly disclaims any responsibility therefor. Franchisee acknowledges its sole responsibility for finding the Franchised Location. Franchisee acknowledges its sole responsibility for finding each site for the Restaurant it develops pursuant to this Agreement.

(3) Franchisee must retain the services of a construction project manager (the "Project Manager") approved by Franchisor to oversee the construction or to construct, the Restaurant. The Project Manager may (i) act as a project manager and oversee the design and construction process, or (ii) act as

Franchisee's general contractor, and design and construct the Restaurant. Franchisee is solely responsible for the costs charged by the Project Manager in the amounts agreed upon directly between Franchisee and the Project Manager. After Franchisee signs a lease or purchase contract for the Franchised Location, and prior to commencement of the construction of the Restaurant, Franchisee must promptly submit to Franchisor, the Project Manager, the landlord (if Franchisee is leasing the site of the Franchised Location) and local authorities, all requisite drawings, designs, plans and specifications for approval or rejection before Franchisee's commencement of construction, and Franchisee must obtain all required permits and certifications including those that satisfy all zoning, building, access, sign, fire and health requirements.

(4) Franchisee hereby authorizes Franchisor to communicate with the lessor under the Lease (and hereby authorizes such lessor to communicate with Franchisor) for any purpose, including identification of the Franchised Location following the termination or expiration of this Agreement, Franchisee's sales, Franchisee's defaults under this Agreement or the Lease and negotiating a lease for the Franchised Location following the termination or expiration of Franchisee's Lease.

2 TERM

A Initial Term The Initial Term of this Agreement and the License granted by this Agreement begins on the date of this Agreement and terminates at midnight on the day preceding the tenth anniversary of the date the Restaurant first opens for business, unless this Agreement is terminated at an earlier date. Franchisor shall complete and forward to Franchisee a notice to memorialize the date the Restaurant first opened for business. Notwithstanding the foregoing, this Agreement shall automatically terminate if Franchisee's contract to provide foodservice at the Facility terminates or expires without renewal. In addition, Franchisee may terminate this Agreement following sixty (60) days' written notice to Franchisor if Franchisee's client at the Facility instructs Franchisee in writing to cease operating the Restaurant (provided Franchisee has exercised its best efforts to arrange a meeting between Franchisee's client and Franchisor, if Franchisor so elects to discuss the continued operation of the Restaurant). If Franchisee's contract to provide foodservice at the Facility permits Franchisee's client to take this action on shorter notice, the notice period provided in that contract shall govern, provided a copy of the relevant contract provision has been given to Franchisor by Franchisee.

B Renewal Term

(1) At the expiration of the Initial Term, Franchisee shall have an option to remain a Franchisee at the Franchised Location for two (2) additional consecutive Renewal Terms of five (5) years each. The conditions for renewal at the expiration of the Initial Term are set forth in this Section 2 B. The conditions for renewal at the expiration of the first and second Renewal Terms shall be set forth in the Franchise Agreement in effect at each of those times. Franchisee must give Franchisor written notice of whether or not it intends to exercise its option for the first Renewal Term not less than twelve (12) months, nor more than fifteen (15) months, before the expiration of the Initial Term. Failure to timely provide Franchisor the required notice constitutes a waiver by Franchisee of its option to remain a Franchisee beyond the expiration of the Initial Term.

(2) If Franchisee desires to continue as a Franchisee for the first Renewal Term, Franchisee must comply with all of the following conditions prior to and at the end of the Initial Term:

(a) Franchisee shall not be in default under this Agreement or any other agreements between Franchisee and Franchisor, or its affiliates.

(b) Franchisee shall renovate and modernize the Restaurant so that it conforms with the image of the System for new La Salsa® Restaurants at the time Franchisee provides Franchisor the renewal notice

(c) Franchisee shall have the right to remain in possession of the Franchised Location for the first Renewal Term

(d) Franchisee shall execute a general release and a covenant not to sue, in the form specified to Franchisor, of any and all claims against Franchisor, and its affiliates, and their past and present officers, directors, shareholders, agents and employees in their corporate and individual capacities

(e) Franchisee shall pay a \$5,000 renewal fee and execute a new Franchise Agreement for each Renewal Term in the then-current form in use by Franchisor (or, if Franchisor is not then granting franchises for La Salsa® Restaurants in captive market locations, that form of agreement as reasonably specified by Franchisor)

3 FEES

A Initial Franchise Fee Franchisee has paid Franchisor a nonrefundable Initial Franchise Fee in the amount of \$25,000

B Continuing Royalty Fee Franchisee shall pay Franchisor a nonrefundable and continuing royalty fee equal to five percent (5%) of the Gross Sales of the Restaurant, for the right to use the System and the Marks at the Franchised Location (the 'Continuing Royalty') Gross Sales shall include all revenue from the sale of all System menu items identified in Exhibit A at the Restaurant, including all revenue from beverages ordered at the Restaurant, and all other income of every kind and nature (including gift certificates when redeemed but not when purchased) related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit, provided, however, that Gross Sales shall not include any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority

C Advertising Fee Franchisee shall also pay Franchisor, simultaneously with its Continuing Royalty payments, a nonrefundable and continuing advertising fee for the Marketing Development Fund (as defined in Section 5 B) in the amount of one percent (1%) of Gross Sales (the Advertising Fee)

D Payment The Continuing Royalty and Advertising Fee for each fiscal period (as defined by Franchisor from time to time) shall be paid by Franchisee within ten (10) calendar days after the end of that fiscal period Franchisee shall simultaneously submit to Franchisor in writing the amount of Gross Sales from the Restaurant during the preceding fiscal period and such other data or information as Franchisor may reasonably require Franchisee may not set off, deduct or otherwise withhold any Continuing Royalty, Advertising Fees, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligations or for any other reason Franchisee shall pay to Franchisor on demand any and all costs and expenses incurred by Franchisor in collecting any monies owed by Franchisee to Franchisor

E Interest. If any payments by Franchisee due to Franchisor are not received by Franchisor by the date due, Franchisee, in addition to paying the amount owed, shall pay Franchisor interest on the amount owed from the date due until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Restaurant is located not to exceed one and one half (1 1/2%) per fiscal period (or a portion of a fiscal period)

F **Gross-Up Fees** To ensure that Franchisor receives a full five percent (5%) of Gross Sales as a Continuing Royalty and the full Advertising Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Continuing Royalties and Advertising Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any governmental authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the governmental authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement

4 **RECORDKEEPING AND REPORTS**

A **Recordkeeping** Franchisee agrees to use computerized cash and data capture and retrieval systems that meet the specifications issued by Franchisor, or its affiliates, from time to time and record sales of the Restaurant electronically or on tape for all sales at or from the Franchised Location. Franchisee shall keep and maintain complete and accurate books and records, using generally accepted accounting principles and in accordance with any procedures set forth in the Manual

B **Reports** At Franchisor's request, Franchisee shall, at its own expense, provide to Franchisor a profit and loss statement and balance sheet for the Restaurant within ninety (90) days after the end of each of Franchisee's fiscal years to be signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that the financial statements present fairly the results of operations of the Restaurant during the period covered. Franchisor shall have the right, in its reasonable discretion, to require that Franchisee submit audited statements for any fiscal year. Franchisee shall submit to Franchisor, for review or auditing, such other forms, reports, records, information and data regarding the Restaurant as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor and as specified from time to time in the Manual or otherwise in writing.

C **Audit Rights** Franchisor, or its designee, shall have the right at all reasonable times, both during and after the Term of this Agreement, to inspect, copy and audit the books and records and such other forms, reports, information and data as Franchisor reasonably may designate, applicable to the operation of the Restaurant. If an inspection or audit discloses an understatement of Gross Sales, Franchisee shall pay Franchisor, within ten (10) days after receipt of the inspection or audit report, the deficiency in the Continuing Royalty and Advertising Fee **plus** interest from the date originally due until the date of payment. If any inspection or audit discloses an understatement of Gross Sales for the period of the audit greater than five percent (5%), Franchisee also shall reimburse Franchisor for the reasonable cost of the audit or inspection.

5 **ADVERTISING AND PROMOTION**

A **Advertising by Franchisee** To protect the System, the Marks, the La Salsa® 'Trade Secrets', and the goodwill associated with the same, Franchisee shall, at all times throughout the Initial Term of this Agreement, use its best efforts to advance the reputation of La Salsa® Restaurants and the products sold under the Marks and to develop awareness of La Salsa® Restaurants among consumers in order to increase the goodwill of the Marks and the System. Prior to use, Franchisee must submit all advertising materials to Franchisor for approval, which approval shall not be unreasonably withheld.

B **Marketing Development Fund** Franchisor has established, and will maintain and administer a fund for the creation and development of advertising, marketing and public relations, research and related programs, activities and materials that Franchisor, in its sole discretion, deems appropriate ("Marketing

Development Fund) Franchisor, or its designee, shall direct all advertising, marketing and public relations programs and activities financed by the Marketing Development Fund with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. Franchisee agrees that the Marketing Development Fund may be used among other things to pay the costs of preparing and producing such associated materials and programs as Franchisor, or its designee, may determine, including video, audio and written advertising materials, employing advertising agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts, and supporting public relations, market research and other advertising, promotional and marketing activities. Franchisor reserves the right, in its sole discretion, to suspend contributions to and operations of the Marketing Development Fund for one (1) or more periods that it determines to be appropriate, to terminate the Marketing Development Fund upon thirty (30) days' written notice to Franchisee and, if Franchisor so elects, to establish one (1) or more new advertising funds.

C Promotional Campaigns From time to time during the term of this Agreement, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee agrees to participate in such promotional campaigns upon such terms and conditions as Franchisor may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Marketing Development Fund).

D Electronic Media Franchisee shall not separately register any domain name or any portion of any domain name containing the Marks or participate or market on any website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Marks without prior express written approval from Franchisor. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee.

6 MANUALS

Franchisee acknowledges receipt on loan of Franchisor's confidential and proprietary Manuals which contains information and knowledge that is unique, necessary and material to the System. (As used in this Agreement, the term **Manuals** also includes other publications, materials, drawings, memoranda, videotapes, audio tapes, compact disks and electronic media that Franchisor from time to time may loan to Franchisee). Franchisor may supplement and amend the Manuals from time to time. Franchisee agrees to keep its copy of the Manuals current and up-to-date at all times, operate the Restaurant in strict conformity with the Manuals, maintain the Manuals at the Restaurant, not reproduce the Manuals or any part of it, and treat the Manuals as confidential and proprietary and disclose the contents of the Manuals only to those supervisory or managerial employees of Franchisee who have a need to know.

7 MODIFICATIONS OF THE SYSTEM

Franchisor, in its sole discretion, shall be entitled from time to time to change or modify any or all of the components of the System including, without limitation, restricting sales of menu items to certain time periods during the day Franchisee shall accept and use or display in the Restaurant any such changes or modifications in the System or its components as if they were a part of the System at the time this Agreement was executed, and Franchisee will make such expenditures as the changes or modifications may reasonably require Notwithstanding the foregoing, Franchisor will not require Franchisee to adopt a change or modification to the System unless Franchisor determines, in the exercise of its reasonable business judgment, that the required expenditure is reasonable in light of the remaining term of Franchisee's contract to provide foodservice at the Facility Franchisor shall have the right, in its sole discretion, to waive, defer or permit variations from the standards of the System or any applicable agreement to any Franchisee or prospective Franchisee and the right, in its sole discretion, to deny any such requests

8 TRAINING

A Initial Training Program Franchisor shall provide an Initial Training Program in Franchisor's System and methods of operation (the "**Initial Training Program**") at Franchisor's training facilities in Franchisor's corporate office currently located in Southern California or Restaurants designated by Franchisor, for up to two (2) supervisory or managerial personnel selected by Franchisee who shall be the Operating Principal, Director of Operations and/or Restaurant Manager of the Restaurant to be developed under this Agreement Portions of the Initial Training Program may be held at your Franchised Location Franchisee and Franchisee's supervisory and managerial personnel shall attend and complete to Franchisor's satisfaction the Initial Training Program Franchisee shall pay Franchisor an initial training fee of \$10,000 The Initial Training Fee shall be deemed earned by Franchisor when paid No portion of the Initial Training Fee shall be refundable in the event Franchisee, or its designated trainees, fail to complete the Initial Training Program to Franchisor's satisfaction The Initial Training Program shall consist of approximately six (6) to eight (8) weeks of training prior to the opening of the Restaurant to be developed and operated under this Agreement and must be completed before that Restaurant opens to the public Franchisee shall pay all travel, living, compensation and other expenses, if any, incurred by Franchisee and/or Franchisee's supervisory and managerial personnel in connection with attendance at training programs Franchisee may not open its Restaurant until such training shall have been completed to the satisfaction of Franchisor and Franchisee's supervisory and managerial personnel have been certified by Franchisor The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee, or an owner of either, owns or operates a La Salsa® Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement

B Additional Training Franchisor shall have the right to require that certain supervisory or managerial personnel of Franchisee designated by Franchisor take and successfully complete other training courses in addition to the Initial Training Program Franchisor reserves the right to require Franchisee to pay a tuition fee for these additional training programs as established by Franchisor from time to time Franchisee will be required to pay all travel, living and other expenses incurred by Franchisee's supervisory and managerial personnel while attending the training Franchisor shall have the right to require that certain supervisory or managerial personnel of Franchisee designated by Franchisor successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification Franchisor may, in its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate Franchisee shall be responsible for all fees and material costs associated with a certification program

C **Remedial Training** If Franchisor determines it to be necessary, Franchisor may provide Franchisee and Franchisee's supervisory or managerial personnel with remedial training or assistance subject to the availability of Franchisor's personnel. Franchisee shall pay Franchisor any fee which may be charged by Franchisor to Franchisee and other franchisees to defray the direct costs of providing this remedial training. In addition, Franchisee shall be responsible for any and all other expenses incurred in connection with sending Franchisee's supervisory and managerial personnel to such remedial training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. Franchisor shall, in Franchisor's sole discretion, select the time and location of all remedial training.

D **Training by Franchisee** Franchisee shall conduct such training programs for employees of the Restaurant as Franchisor may require from time to time.

9 **ADDITIONAL SERVICES BY FRANCHISOR**

In addition to the services described elsewhere in this Agreement, during the Initial Term of this Agreement, Franchisor shall make the following services available to Franchisee at no additional cost:

A **Pre-Opening Assistance** Franchisor shall provide consultation and advice to Franchisee as Franchisor deems appropriate with regard to construction or renovation and operation of the Restaurant.

B **Opening of the Restaurant** Upon Franchisee's reasonable request, or at Franchisor's discretion, Franchisor shall provide such assistance in opening the Restaurant and in training Franchisee's supervisory or managerial personnel as Franchisor deems appropriate in light of Franchisee's needs and the availability of Franchisor's personnel.

C **Post-Opening Assistance** Franchisor periodically, as it deems appropriate, shall advise and consult with Franchisee in connection with the operation of the Restaurant. Franchisor, as it deems appropriate, shall provide to Franchisee its knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of restaurant design, management, food and beverage preparation, sales promotion, service concepts and other areas. Franchisor may provide these services through visits by Franchisor's representatives to the Restaurant or Franchisee's offices, the distribution of printed or filmed material or electronic information, meetings or seminars, telephone communications, email communications or other communications.

D **Franchisor's Right to Inspect the Restaurant** Franchisor, or its designees, shall have the right at any reasonable time and without prior notice to Franchisee to enter the Restaurant for the purpose of inspecting and examining the operations, products, facilities and equipment including, without limitation, the right to inspect the Restaurant, observe, photograph and videotape the operations of the Restaurant, remove samples of any food, beverage or other product (without paying for the samples), interview personnel and customers of the Restaurant and inspect and copy any documents relating to the operation of the Restaurant.

Franchisee agrees to cooperate fully with Franchisor in connection with any such inspections, observations, videotaping, product removal and interviews. Franchisee shall take all necessary steps to immediately correct any deficiencies detected during these inspections. If Franchisee's client restricts access to the Facility at which the Restaurant is located, any inspection by Franchisor will be in accordance with the Facility's policies and Franchisee will undertake all reasonable efforts to facilitate Franchisor's ability to conduct inspections at the Restaurant.

E **Delegation** Franchisor has the right, from time to time, to delegate the performance of any portion or all of its obligations and duties under this Agreement to designees, whether affiliates, agents or independent contractors with which Franchisor has contracted to provide this service

10 **PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION**

Products sold and services performed under the Marks have a reputation for quality. This reputation has been developed and maintained by Franchisor, and it is of the utmost importance to Franchisor, Franchisee and all other Licensees and Franchisees of Franchisor that this reputation be maintained. In recognition of the mutual benefits that come from maintaining the reputation for quality enjoyed by the System, and to protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, Franchisee covenants and agrees, with respect to the operation of the Restaurant, that Franchisee and its employees shall comply with all of the requirements of the System as set forth in the Manuals or otherwise, and Franchisee additionally shall comply with the following:

A **Standards, Specifications and Procedures** Franchisee agrees to comply with all System specifications, recipes, standards and operating procedures (whether contained in the Manuals or any other written communication to Franchisee) relating to the appearance, function, cleanliness and operation of a La Salsa® Restaurant. Mandatory specifications, standards and operating procedures, including upgraded or additional equipment that Franchisor prescribes from time to time in the Manuals or otherwise communicates to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement.

B **Approved Products, Distributors and Suppliers** Franchisee agrees that the Restaurant will (i) purchase those food products developed by Franchisor pursuant to a special recipe or formula only from Franchisor, an affiliate of Franchisor or a third party designated and licensed by Franchisor, to prepare and sell such products (the "designated suppliers"), and (ii) purchase from manufacturers, distributors, vendors and suppliers (collectively the "suppliers") approved by Franchisor all other goods, food products, ingredients, spices, seasonings, mixes, beverages, materials and supplies used in the preparation of products (collectively the "goods"), as well as advertising materials, furniture, fixtures, equipment, smallwares, menus, forms, paper and plastic products packaging or other materials (collectively the "materials") that meet the standards and specifications promulgated by Franchisor from time to time. Franchisor has the right to require that Franchisee use only certain brands and to prohibit Franchisee from using other brands. Franchisor may from time to time modify the list of approved brands and/or suppliers, and Franchisee shall not, after receipt of such modification in writing, reorder any brand from any supplier that is no longer approved. If Franchisee proposes to purchase any goods or materials (that Franchisee is not required to purchase from Franchisor, an affiliate of Franchisor or a designated supplier) from a supplier that Franchisor has not previously approved, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier to do so itself. Franchisor has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications and samples as Franchisor reasonably designates be delivered to Franchisor and/or to an independent, certified laboratory designated by Franchisor for testing prior to granting approval. A charge not to exceed the actual cost of the test may be made by Franchisor or by an independent testing laboratory designated by Franchisor and shall be paid for by Franchisee. As a condition of its approval, Franchisor reserves the right to inspect the proposed supplier's facilities. Franchisor shall notify Franchisee within sixty (60) days as to whether Franchisee is authorized to purchase items from the proposed supplier. Franchisor may periodically require that the testing be performed again, at Franchisee's own expense, to ensure that the supplier continues to meet Franchisor's specifications.

Approval of a supplier may be conditioned on requirements relating to the frequency of delivery reporting capabilities, standards of service, including prompt attention to complaints or other criteria, and may be temporary pending a further evaluation of the supplier by Franchisor. Franchisor may establish commissaries and distribution facilities owned and operated by Franchisor, or an affiliate that Franchisor may designate as an approved supplier.

C Hardware and Software Franchisee agrees to procure and install, at Franchisee's own expense, such data processing equipment, computer hardware and software, required dedicated telephone and power lines, high speed Internet connections, modems, printers and other computer-related accessory or peripheral equipment as necessary to permit Franchisor to receive from Franchisee, within the time periods required by this Agreement or as otherwise required by Franchisor, that information and in that format/media as reasonably specified by Franchisor.

D Upkeep of the Restaurant To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, Franchisee shall operate the Restaurant in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Restaurant consistent with the policies of Franchisor. Franchisee shall constantly maintain and continuously operate the Restaurant and all furniture, fixtures, equipment, furnishings, floor coverings, signage, lighting and, if applicable, landscaping and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. Franchisee shall promptly and diligently perform all necessary maintenance, repairs and replacements to the Restaurant as Franchisor may prescribe from time to time. Franchisee shall not make any material alterations to the Restaurant that affect operations or the image of the System without Franchisor's prior written approval.

E Maximum Operation of the Restaurant To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, Franchisee shall use the Franchised Location solely for the operation of a La Salsa® Restaurant and shall maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Restaurant at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manuals (subject to the requirements of local laws and licensing requirements). Notwithstanding the foregoing, but subject to the agreed-upon opening policy described in Exhibit A (if any), Franchisee will not be required to operate the Restaurant when its adjacent businesses at the Facility are not operating.

F Restaurant Management The Restaurant shall at all times be under the on-site supervision of a Manager who shall (i) be a full-time supervisory or managerial employee of Franchisee, (ii) successfully complete the Initial Training Program and any additional training required by Franchisor, and (iii) be approved by Franchisor, which approval shall have not been withdrawn.

G Restaurant Personnel Franchisee shall hire all employees of the Restaurant and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of the Restaurant. Franchisee shall employ only suitable persons of good character and

reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Franchisor, its affiliates, and the System and, while on duty, comply with the standards set forth in the Manuals

After the Restaurant has opened to the public, Franchisee shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that Franchisee's employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and employee functions relating to the Restaurant, including, without limitation, hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not, and shall not request from Franchisor or expect to receive from Franchisor, and Franchisor shall not provide Franchisee, with any advice on these subjects. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall indemnify, defend, reimburse and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

H Signs and Logos Franchisee shall prominently display at the Franchised Location signs and logos using the name La Salsa® without any prefix or suffix and those other names, marks, advertising signs and logos, of such nature, form, color, number, location and size and containing that information mutually agreed to by Franchisor and Franchisee. Franchisee shall not display in or upon the Restaurant any sign, logo or advertising media of any kind to which Franchisor objects.

I Compliance with Laws and Good Business Practices Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Restaurant. Franchisee shall operate the Restaurant in full compliance with all applicable laws, ordinances and regulations including, without limitation, the withholding and payment of federal and state income taxes, social security taxes, sales taxes and the maintenance of all workers' compensation, unemployment and similar insurance. Franchisee shall, in all dealings with Franchisee's customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee shall refrain from any business or advertising practice that may be injurious to the goodwill associated with the Marks or the business of

Franchisor, or its affiliates, the System or other La Salsa® Restaurants operated or franchised by Franchisor, or its affiliates

J Vending or Other Machines Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location

K Co-Branding Franchisee may not engage in any co-branding in or in connection with the Restaurant except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within La Salsa Restaurants. 'Co-branding' includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Premises or is adjacent to Franchisee's Premises and operated in a manner which is likely to cause the public to perceive it to be related to the Restaurant licensed and franchised under this Agreement. An example would be an independent ice cream store or counter installed within Franchisee's Premises

L Improvements If Franchisee develops any new concept, process or improvement in the System (an "Improvement"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property right related to any such Improvement. If the foregoing provisions of this Section 10 L are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

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

N Adequate Reserves and Working Capital Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the franchised business for at least three (3) months.

O Notification of Legal Proceedings, and Crisis Management Events Franchisee shall notify Franchisor in writing within ten (10) days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other

decree of any court, agency, or other governmental authority that pertains to the La Salsa Restaurant or that may adversely affect Franchisee's operation of the La Salsa Restaurant or ability to meet its obligations under this Agreement. Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event. As used in this Agreement, "**Crisis Management Event**" means any event that occurs at or about the Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or any other circumstance which may damage the System, Marks, or image or reputation of Restaurants or Franchisor or its affiliates.

P Credit Cards Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with Franchisee's operation of the Restaurant, Franchisee shall maintain the security of cardholder data and adhere to the then-current PCI-DSS, currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI-DSS requirements by Franchisee and all identified subcontractors.

11 PROPRIETARY MARKS

Franchisor and its Affiliates continue to develop, use and control the Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance and service. To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same:

A Use of Marks Subject to Section 11 C, the Restaurant licensed and franchised under this Agreement shall be named "**La Salsa® Fresh Mexican Grill**, **La Salsa® Express**" or **La Salsa® Pronto**, as determined by Franchisor, without any suffix or prefix attached thereto and Franchisee shall use and display such of Franchisor's Marks and such signs, advertising and slogans as Franchisor may from time to time prescribe or approve. Upon expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the Marks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do. Franchisee shall not imprint or authorize any person to imprint any Mark on any product without the express written approval of Franchisor. Franchisee shall not use the Marks in connection with any offering of securities or any request for credit without the prior express written approval of Franchisor. Franchisor may withhold or condition any approval related to the Marks including those described in this Section, in its discretion. During the Initial Term of this Agreement, Franchisee shall identify the Restaurant as an independently owned and operated franchise of Franchisor, in the form and manner specified by Franchisor, including, without limitation, on all invoices, order forms, receipts, checks, business cards, on posted notices located at the Franchised Location and in other media and advertisements as Franchisor may direct from time to time.

B Non-Use of Trade Name If Franchisee is an entity, it shall not use Franchisor's Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Marks, as all or part of Franchisee's name.

C Use of Other Trademarks Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Restaurant without the express prior written consent of Franchisor, which may be withheld in its discretion, provided however, in the case of a captive market site, the Facility (but not the Restaurant) may display the trademarks, service marks and other commercial symbols of Franchisee or third parties, in accordance with the terms of this Agreement

D Non-ownership of Marks Nothing in this Agreement shall give Franchisee, and Franchisee shall not assert, any right, title or interest in or to any of the Marks or the goodwill annexed thereto, except a mere privilege and license during the Initial Term of this Agreement, to display and use the same according to the terms and conditions of this Agreement. Except as expressly limited in this Agreement, Franchisor (for itself, its affiliates and designees) retains all rights with respect to use of the Marks and the System to sell any products or services, similar to those which Franchisee sells, through any alternate channels of distribution. This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, over the Internet, or through other forms of electronic media (including social technology, social media and social networking platforms). Franchisor exclusively reserves the Internet and other forms of electronic media as channels of distribution for Franchisor, and Franchisee may not independently market on the Internet or through other forms of electronic media or conduct e-commerce without Franchisor's prior written consent.

E Defense of Marks If Franchisee receives notice, or is informed of any claim, suit or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand. Thereupon, Franchisor shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party. Franchisor shall not be obligated to take any such action, however. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Franchisor. Franchisor shall have the sole right to defend, compromise or settle any such claim, in its discretion, at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee may participate, at Franchisee's own expense, in such defense or settlement, but Franchisor's decisions with regard thereto shall be final.

F Prosecution of Infringers If Franchisee shall receive notice or is informed or learns that any third party, which it believes to be unauthorized to use the Marks, is using the Marks or any variant thereof, Franchisee shall promptly notify Franchisor of the facts relating to such alleged infringing use. Thereupon, Franchisor shall, in its discretion, determine whether or not it wishes to take any action against such third person on account of such alleged infringement of the Marks. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of such infringement.

G Modification of Marks From time to time, in the Manuals or in directives or bulletins supplemental thereto, Franchisor may add to, delete or modify any or all of the Marks. Franchisee shall, at its own cost and expense, use or cease using, as may be applicable, the Marks, including, without limitation, any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Manuals or in written directives issued by Franchisor to Franchisee, as though they were specifically set forth in this Agreement. Except as Franchisor may otherwise direct, Franchisee shall implement any such change within sixty (60) days after notice thereof by Franchisor, at Franchisee's own expense.

H Acts in Derogation of the Marks Franchisee agrees that the Marks are the exclusive property of Franchisor, and/or its affiliates, and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use by Franchisor and others authorized by Franchisor of the Marks in the operation of Restaurants, and agrees that Franchisee will maintain this standard in its use of the Marks. All use of the Marks by Franchisee inures to the benefit of Franchisor. Franchisee shall not contest or assist anyone in contesting at any time during or after the Initial Term of this Agreement, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor, or its Affiliates, in connection with the same, either during the Initial Term of this Agreement or thereafter, and that it will use the Marks only for the uses and in the manner licensed and/or franchised under this Agreement and as provided in this Agreement. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of the Marks by any other Franchisee or Licensee of Franchisor, or (ii) divert or attempt to divert any business or any customers of the Restaurant to any other person or entity, 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 the Marks.

I Assumed Name Registration If Franchisee is required to do so by applicable law, Franchisee shall promptly upon the execution of this Agreement file with applicable governmental authorities, a notice of its intent to conduct its business under the name La Salsa®. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall promptly execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Franchisee shall fail to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

12 INSURANCE

Franchisee shall at its own cost and expense, maintain that insurance as Franchisee deems necessary or desirable with respect to the Franchised Location. Franchisee's insurance shall include at least the following: (i) comprehensive general liability insurance with policy limits of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, (ii) All Risks property insurance with limits of insurance of not less than the full replacement value of the Restaurant and its contents, (iii) Employer's Liability coverage of no less than the amount of \$500,000, (iv) Worker's Compensation and such other insurance as may be required by statute or rule of the state or locality in which the Restaurant is located, and (v) if Franchisee sells alcoholic beverages at the Facility, liquor liability coverage with policy limits of not less than \$1,000,000. Franchisor may reasonably modify the types of insurance required and reasonably increase the minimum coverage required. Franchisor, and its affiliates, shall be additional insureds in such policies to the extent each has an insurable interest and Franchisee shall annually provide Franchisor with certificates of insurance on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form reflecting Franchisee's insurance coverage. If Franchisee maintains a program of self-insurance, it may, with Franchisor's consent, self-insure the obligations described in this Section. In addition to all other insurance required in this Article 12, Franchisee shall obtain and maintain Employment Practices Liability Insurance.

13 TRANSFERS BY FRANCHISOR

This Agreement is fully transferable by Franchisor, in whole or in part, without the consent of Franchisee and shall inure to the benefit of any transferee or their legal successor to Franchisor's interests in this Agreement, provided, however, that such transferee and successor shall expressly agree to assume Franchisor's obligations under this Agreement. Without limiting the foregoing, Franchisor may (i) assign any or all of its rights and obligations under this Agreement to an affiliate, (ii) sell its assets, the Marks or its System outright to a third party, (iii) engage in a public offering of its securities, (iv) engage in a private placement of some or all of its securities, (v) merge, acquire other corporations or be acquired by another corporation or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Franchisor shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System and/or the loss of association with or identification of La Salsa Franchise, LLC, as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business facilities and to operate franchise or license those businesses and/or facilities as La Salsa® Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be proximate to the Restaurant). Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

14 TRANSFERS BY FRANCHISEE

A Franchisor Approval Required Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement in reliance on Franchisee's business skill, financial capacity and operating experience. Accordingly, to protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, corporation or other legal entity which directly or indirectly controls Franchisee shall undertake any of the following without Franchisor's prior written approval:

(1) The sale, assignment or other transfer of this Agreement or the Restaurant or any interest in this Agreement or the Restaurant to any person or entity other than Franchisee's direct or indirect parent

(2) The sale or transfer of all or substantially all of the assets of the Restaurant or any other Restaurant owned by Franchisee, whether individually or collectively, or of Franchisee's unincorporated division that operates the Restaurant or Franchisee's direct or indirect parent

(3) The consolidation or merger of Franchisee's direct or indirect parent into any other person or entity or the consolidation or merger of Franchisee into any other person or entity other than Franchisee's direct or indirect parent or a wholly-owned subsidiary of Franchisee's direct or indirect parent

(4) The sale, assignment or other transfer of forty-nine percent (49%) or more of the capital stock, membership interests, partnership rights, or other equity ownership interests of Franchisee to a person or entity that did not have an ownership interest in Franchisee as of the date of this Agreement (as disclosed in Exhibit B) unless Franchisee is a publicly-held entity or a wholly-owned subsidiary or division of a publicly-held entity

B **Standards For Evaluating A Transfer** Franchisee shall advise Franchisor in writing of any proposed transfer that requires Franchisor's approval, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee and all other information requested by Franchisor relating to the proposed transfer. The decision as to whether or not to approve a proposed transfer shall be made by Franchisor in its reasonable discretion and shall include numerous factors deemed relevant by Franchisor, including whether the proposed transferee intends to acquire Franchisee's other businesses at the Facility adjacent to the Restaurant. These factors also may include, but will not be limited to, the following

(1) The proposed transferee and its owners must demonstrate that they have extensive experience in high quality restaurant operations of a character and complexity similar to La Salsa® Restaurants, meet Franchisor's managerial, operational, experience, quality, character and business standards for a Franchisee, possess a good character, business reputation and credit rating, have an organization whose management culture is compatible with Franchisor's management culture, and have adequate financial resources and working capital to operate the Restaurant

(2) All of Franchisee's accrued monetary obligations to Franchisor, and its affiliates, (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Restaurant have been satisfied

(3) Franchisee is not then in material default of any provision of this Agreement or any other agreement between Franchisee and Franchisor, or its affiliates

(4) Franchisee must execute a general release and covenant not to sue, in a form satisfactory to Franchisor, of any and all claims against Franchisor, and its affiliates and their past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities

(5) Unless waived by Franchisor in its sole discretion, the transferee or supervisory or managerial employees of the transferee who are responsible for the operation of the Restaurant shall complete the Initial Training Program provided in Sections 8 A and 8 B

(6) If Franchisee, or Franchisee's owners with a controlling interest, or a member of Franchisee's senior management team have successfully completed Franchisor's current Initial Training Program and earned the designation of 'Certified Trainer', Franchisee and Franchisee's Certified Trainer shall be responsible for training the transferee, at Franchisee's own expense. If Franchisee does not have a Certified Trainer on staff, Franchisor shall train the transferee and one other supervisory or managerial employee, at Franchisee's own expense and Franchisee shall pay Franchisor a non-refundable \$10,000 transfer training fee for the Initial Training Program for the transferee or supervisory or managerial employee (the 'Transfer Training Fee')

(7) Franchisee and the proposed transferee shall use an independent third party escrow company in connection with their purchase and sale transaction

(8) The transferee/assignee, its supervisory or managerial personnel 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 the United States and must have sufficient literacy and fluency in the English language sufficient, in Franchisor's opinion, to communicate with employees, customers, and suppliers of Franchisor and to satisfactorily complete Franchisor's required training program and such other tests and interviews as Franchisor shall reasonably deem to be necessary or desirable. Franchisee shall provide Franchisor with such information as Franchisor may require to make a determination concerning such proposed transfer.

(9) The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the transferee will be unlikely to properly maintain, operate and promote the Restaurant and meet the transferee's financial and other obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability to either transferor or transferee on the part of Franchisor, in the event that Franchisor approves the transfer and the transferee experiences financial difficulties.

If Franchisor approves a proposed transfer, prior to the transfer becoming effective, the transferor shall pay Franchisor a nonrefundable Transfer Fee of \$5,000 in connection with Franchisor's review of the transfer application plus Franchisor's out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer, and Franchisee and the proposed transferee shall execute, at Franchisor's election, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by Franchisor to reflect the transfer or Franchisor's then-current standard form Franchise Agreement for an initial term ending on the expiration date of the Initial Term of this Agreement.

15 COVENANTS

A Confidentiality To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, Franchisee acknowledges and agrees that (i) Franchisor owns all right, title and interest in and to the System, (ii) the System consists of 'Trade Secrets' and confidential and proprietary information and know-how that gives Franchisor a competitive advantage (collectively, "**Confidential Information**'), (iii) Franchisor, and its affiliates have taken all measures necessary to protect the Trade Secrets and the Confidential Information, (iv) all material or other information now or hereafter provided or disclosed to Franchisee regarding the System is disclosed in confidence, (v) Franchisee has no right to disclose any part of the System to anyone who is not an employee of Franchisee, (vi) Franchisee will disclose to its employees only those parts of the System that an employee needs to know, (vii) Franchisee will not acquire any interest in the System, and (viii) Franchisee's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition. 'Trade Secrets' means proprietary and confidential information, including recipes, ingredients, specifications, procedures, policies, concepts, systems, know how, plans, software, strategies, methods and techniques of operating the Restaurant and producing Authorized La Salsa Products and customer lists, including current and prospective customer names and addresses, information about credit extensions to customers, customer service purchasing histories, and rates charged to customer, but excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor. Confidential Information includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental

products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Restaurant under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Franchisee after receiving it, has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee, or is shown by acceptable evidence to have been independently developed by Franchisee Franchisee recognizes its obligations to keep confidential such information as set forth in this Agreement

Franchisee shall not, during the Initial Term of this Agreement or at any time thereafter, communicate or disclose any Trade Secrets or Confidential Information to any unauthorized person, or do or perform directly or indirectly, any other acts injurious or prejudicial to the Marks or the System

B Restrictions Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about the operation of Mexican-style fast service Restaurants or La Salsa Restaurants and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Restaurant under this Agreement Franchisee covenants and agrees that during the Initial Term of this Agreement and, if this Agreement is terminated prior to the end of the Initial Term for a continuous period of twelve (12) months following such termination, Franchisee shall not, either directly or indirectly, for itself or through on behalf of or in conjunction with, any person, firm, partnership, corporation or other entity, own, maintain, operate, engage in, advise, help, make loans to or have any interest in, either directly or indirectly, any foodservice operation at the Facility (i) that sells Mexican style food items or any other entree menu item that comprises at least ten percent (10%) of sales at La Salsa® Restaurants operated by Franchisor or its affiliates, or (ii) whose method of operation or trade dress is similar to that employed in the System This restriction shall not apply to Franchisee's existing restaurant or foodservice operations, if any, which are identified in **Exhibit A**

C Business Practices Neither Franchisee nor any of its owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti Terrorist Financing Act (the 'Patriot Act') and any amendments or successors thereto Neither Franchisee, any of the owners of Franchisee, nor any employee of either Franchisee or the owners of Franchisee is named as a

' Specially Designated Nationals ' or "Blocked Persons" as designated by the United States Department of the Treasury s Office of Foreign Assets Control Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/" Franchisee is neither, directly nor indirectly, owned or controlled by the government of any country that is subject to a United States embargo Nor does Franchisee or the owners of Franchisee act, directly or indirectly, on behalf of the government of any country that is subject to a United States embargo Franchisee agrees that it will notify Franchisor in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this Section incorrect Franchisee represents that it understands and has been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), and hereby acknowledges the importance to Franchisor, the System and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any applicable law Franchisee shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons

D Modification Except for Section 15 C, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant in this Section 15 effective immediately upon Franchisee s receipt of written notice, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 E

16 TERMINATION

A Right to Cure Except as otherwise provided in this Agreement, Franchisee shall have thirty (30) days after written notice of default from Franchisor within which to remedy any default under this Agreement and provide evidence of that remedy to Franchisor If any such default is not cured within that time, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing Notwithstanding the foregoing, if the default cannot be corrected within thirty (30) days, Franchisee shall have such additional time to correct the default as reasonably required (not to exceed ninety (90) days) provided that Franchisee begins taking the actions necessary to correct the default during the thirty (30) day cure period and diligently and in good faith pursues those actions to completion Franchisee will be in default under this Agreement for any failure to comply with any of the material requirements imposed by this Agreement, the Manuals or otherwise in writing, or to carry out the terms of this Agreement in good faith

B Payment of Money Notwithstanding the provisions of preceding Section 16 A, if Franchisee defaults in the payment of any monies owed to Franchisor when such monies become due and payable and Franchisee fails to pay such monies within ten (10) days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing

C Multiple Notices If Franchisee has received two (2) or more notices of default within the preceding twelve (12) months, Franchisor shall be entitled to send Franchisee a notice of termination upon Franchisee's next default within that twelve (12) month period without providing Franchisee an opportunity to remedy the default

D Improper Inventory If Franchisee fails to purchase and maintain in inventory such types and quantities of proprietary products and non-proprietary products as are needed to meet reasonably anticipated

consumer demand and/or if Franchisee purchases proprietary products or non-proprietary products from any supplier other than Franchisor or its designees or approved suppliers, and Franchisee fails to cure such defaults within three (3) days after receiving notice to do so from Franchisor, Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement

E Applicable Law 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

F Interim Management To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in default, Franchisor may (but is not obligated to) assume interim management of the Restaurant during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Restaurant (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Restaurant during any such interim management period, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Restaurant, other than those arising solely from the gross negligence or willful misconduct of Franchisor

G Otherwise Incurable Default

Notwithstanding the provisions of Section 16 A if Franchisee shall Default in any obligation under this Agreement or any other agreement between Franchisee and Franchisor, which by its nature is not capable of being cured by Franchisee, such default shall be deemed incurable and this Agreement shall terminate immediately upon notice by Franchisor

17 OBLIGATIONS ON TERMINATION OR EXPIRATION

To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, upon termination or expiration of this Agreement

A Payment Franchisee immediately shall pay Franchisor, and its affiliates, all sums due and owing Franchisor, or its affiliates, pursuant to this Agreement

B Return Materials Franchisee promptly shall return to Franchisor the Manuals, any copies of the Manuals and all other materials and information furnished by Franchisor

C Covenants Franchisee shall continue to abide by the applicable provisions of Section 15

D Discontinue Use Franchisee immediately shall discontinue all use of the Marks and of any and all items bearing the Marks, remove the Marks from clothing, signs, materials, motor vehicles and other items owned or used by Franchisee in the operation of the Restaurant, cancel all advertising for the Restaurant that contains the Marks (including telephone directory listings), and take such action as may be necessary to cancel any filings or registrations for the Restaurant that contain any Marks

E **Alterations** Franchisee promptly shall make such alterations and modifications to the Franchised Location as may be necessary to clearly distinguish to the public the Franchised Location from its former appearance and also make those specific additional changes as Franchisor may request for that purpose

F **Evidence of Compliance** Franchisee shall furnish Franchisor, within thirty (30) days after the effective date of termination or expiration, evidence reasonably satisfactory to Franchisor of Franchisee's compliance with Sections 17 A through 17 E

G **Other Business** Franchisee shall not, except with respect to another restaurant licensed by Franchisor, or its affiliates (i) operate or do business under any name or in any manner that might tend to give the public the impression that Franchisee is connected in any way with Franchisor or its affiliates, or has any right to use the System or the Marks, or (ii) 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 (iii) assist anyone not licensed by Franchisor, or its affiliates, to construct or equip a foodservice outlet substantially similar to a La Salsa® Restaurant

H **Damages** In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total royalty fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the two (2) year period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Restaurant or for a replacement restaurant in the trade area of the Restaurant. In this regard, Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Restaurant or for a replacement restaurant in the trade area of the Restaurant. Franchisor and Franchisee further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable good-faith estimate of such damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Restaurant, Franchisor may estimate the Gross Sales of the Restaurant for the applicable period based upon the historical financial information available to Franchisor at such time

18 **OPTION TO PURCHASE**

Upon the expiration or termination of this Agreement for any reason, Franchisor shall give written notice to Franchisee, within ten (10) days after the effective date of termination or expiration, if Franchisor intends to exercise its option to purchase from Franchisee the equipment and/or the non-perishable inventory used in the Restaurant. Franchisor shall have the unrestricted right to assign this option to purchase. The purchase price for the inventory shall be the price paid by Franchisee. The purchase price for the equipment shall be its fair market value, determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the equipment. Franchisor may exclude from the assets purchased in accordance with this Section any equipment or inventory that are not approved as meeting then-current standards for a La Salsa® Restaurant or for which Franchisee cannot deliver a Bill of Sale in a form satisfactory to Franchisor. If Franchisor and Franchisee are unable to agree on the fair market value of the equipment within thirty (30) days after Franchisee's receipt of Franchisor's notice of its intent to exercise its option to purchase, the fair market value shall be determined by one (1) professionally certified appraiser appointed by Franchisor.

19 RELATIONSHIP OF THE PARTIES

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of Franchisor and Franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee agrees that it shall not under any circumstances hold itself out as the agent, representative, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations, saving and indemnifying the other party to this Agreement of and from any liability of any nature whatsoever by virtue thereof. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is one of independent contractor and not a fiduciary relationship.

20 INDEMNIFICATION

A Indemnity by Franchisee Franchisee shall protect, defend and indemnify Franchisor, and all of its past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property arising out of or in connection with Franchisee's development, construction or operation of the Premises, or the Restaurant pursuant to this Agreement, except to the extent caused by Franchisor's intentional misfeasance, gross negligence or material default of its obligations under this Agreement.

B Indemnity by Franchisor Franchisor shall protect, defend and indemnify Franchisee, its owners, affiliates, officers, directors, employees and attorneys and each of them, from any liability or damage any of them may incur including reasonable attorney's fees, as a result of third party claims, demands, costs or judgments of any kind or nature, arising out of Franchisor's intentional misfeasance, gross negligence or material breach of its obligations under this Agreement, except to the extent caused by the intentional

misfeasance, gross negligence or material breach by Franchisee (or any of its owners, affiliates, officers, directors, employees or attorneys) of obligations under this Agreement

C Procedures Each party entitled to indemnification under this Agreement shall give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation shall not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay) Franchisor shall retain the full right and power to direct, manage, control and settle the litigation of any claim Each indemnified party shall submit all indemnifiable claims to its insurers in a timely manner Any payments made by an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims

21 CONSENTS, APPROVALS AND WAIVERS

Whenever this Agreement requires the prior approval or consent of either party, the other party shall make a timely written request therefor, and any approval or consent received, in order to be effective and binding, must be obtained in writing No failure of either party to exercise any power reserved to it by this Agreement or to insist upon strict compliance by the other party with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of a party's right to demand exact compliance with any of the terms of this Agreement Subsequent acceptance by either party of any payments due to it under this Agreement shall not be deemed to be a waiver by either party of any preceding breach by the other party

22 NOTICES

Except as otherwise expressly provided in this Agreement, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested postage prepaid and addressed as follows

If to Franchisor

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: Charles Rink, Chief Executive Officer
Facsimile No. (949) 270-8901

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No. (818) 981-4764

If to Franchisee

Attention: _____
Facsimile No. _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties

23 DISPUTE RESOLUTION

A Arbitration Except as provided in Section 23B of this Agreement and except as precluded by Applicable Law, any controversy or claim between Franchisor and Franchisee arising out of or relating to this Agreement or any alleged default under this Agreement, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part of this Agreement is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one arbitrator selected by Franchisor and Franchisee in accordance with said rules. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, (i) the proceedings shall be held in Orange County, California, (ii) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be joined or consolidated, or otherwise filed concurrently in the same proceeding, with claims asserted by or against any other licensee, franchisee or area developer, and (iii) the arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. The party initiating a claim or counterclaim in any arbitration proceedings shall pay all filing fees related thereto. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 23 E of this Agreement. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any California court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California statute governing arbitration. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed. The parties agree to be bound by the provisions of the limitations on the period of time in which claims must be brought under Applicable Law or this Agreement, whichever expires earlier. The parties further agree that, in connection with any arbitration proceeding conducted under this Agreement, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be forever barred.

B Exceptions to Arbitration The arbitration provision in 23A of this Agreement shall not apply to (i) any action for injunctive or other provisional relief, including, but not limited to, enforcement of liens, security agreements, or attachments, which a party deems to be necessary or appropriate to compel the other party to comply with its obligations under this Agreement, or (ii) any action Franchisor deems to be necessary or appropriate to protect the Marks and Trade Secrets of Franchisor. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to arbitration.

C **Other Remedies** Nothing in this Article 23 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competence jurisdiction as shall otherwise be available under applicable law

D **Mediation** Notwithstanding anything to the contrary in Section 23 A, before either party may initiate any arbitration proceeding as described above (other than suits described in Section 23 C), Franchisor and Franchisee pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless the Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. If the parties fail to complete mediation within the forty-five (45) day period, either Franchisor or Franchisee may initiate an arbitration in accordance with Section 23 A. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent arbitration or other legal proceeding.

E **Exceptions to Mediation** The mediation provision in Section D shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Marks. Any claim or dispute involving or contesting the validity of any of the Marks shall not be subject to mediation.

F **Governing Law** This Agreement shall be governed by and construed in accordance with the laws of the State of California, except for the provisions in of Section 15 which shall be governed by the laws of the state in which the Restaurant operated under this Agreement is located. In the event of any conflict of law, the law of California shall prevail without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 23 E is intended by the Parties to subject this Agreement to any franchise or similar law, rule or regulation of any state to which it would not otherwise be subject.

G **Survival** The terms of this Section 23 shall survive termination, expiration or cancellation of this Agreement.

24 **MISCELLANEOUS PROVISIONS**

A **Waiver and Delay** No waiver by Franchisor of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it

under this Agreement or under any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Restaurant) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Restaurant) or the Manuals, shall constitute a waiver of the provisions of this Agreement or the Manuals with respect to any subsequent default thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Franchisor will consider written requests by Franchisee for Franchisor's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Franchisor is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked in Franchisor's discretion, at any time and for any reason, effective upon ten (10) days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance or suggestion to Franchisee in connection with this Agreement or by reason of any neglect, delay or denial of any request.

B Survival of Covenants The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

C Successors and Assigns, Benefit This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained in this Agreement. This Agreement is for the benefit of the parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a party to this Agreement.

D Joint and Several Liability If Franchisee consists of more than one (1) person or Entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several, and such person(s) and/or Entities shall be deemed to be a general partnership.

E Entire Agreement This Agreement and the Manuals contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. No other agreements oral or otherwise shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings and representations are merged in this Agreement and superseded hereby. Franchisee represents that there are no contemporaneous agreements or understandings relating to the subject matter of this Agreement between the parties that are not contained in this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement or in any Disclosure Document for prospective Franchisees required by applicable law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor previously furnished to Franchisee.

F Titles for Convenience Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement

G Gender and Construction The terms of all Exhibits to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any article or Section of this Agreement may require. As used in this Agreement, the words 'include, "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, acceptance, approval or authorization of Franchisor which Franchisee may be required to obtain under this Agreement may be given or withheld by Franchisor in its sole discretion. To protect the System, the Marks, the La Salsa® Trade Secrets, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted under this Agreement to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two (2) or more constructions, one (1) of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

H Severability Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted and the remaining part of this Agreement shall continue in full force and effect.

I Counterparts and Electronic Transmission, Electronic Signatures This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

J Fees and Expenses If any party to this Agreement shall bring any arbitration, action or other proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or other proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or other proceeding.

and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include, without limitation, fees incurred in the following: (i) post-judgment motions, (ii) contempt proceedings, (iii) garnishment, levy and debtor and third party examinations, (iv) discovery, and (v) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

K General Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement, and that Franchisee intends to comply herewith and be bound hereby. Franchisor expressly disclaims making, and Franchisee acknowledges that Franchisee has not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses or success of the business venture contemplated by this Agreement.

L Independent Investigation Franchisee acknowledges that Franchisee has conducted an independent investigation of the business franchised under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if an entity, its owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

M Opportunity to Consult Franchisee acknowledges that it has read and understood this Agreement, the Exhibits to this Agreement, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

N Exclusive Remedy In no event shall Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

O Atypical Terms Franchisee acknowledges and agrees that Franchisor may modify the offer of its Franchises to other La Salsa® Franchisees in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other La Salsa® Franchisees in a non-uniform manner.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties of this Agreement have executed this Agreement as of the date first shown above

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

FRANCHISEE

[] A _____ corporation,
[] A _____ limited liability company
[] A _____ general partnership
[] A _____ limited partnership
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

LA SALSA FRANCHISE, LLC
EXPRESS RESTAURANT FRANCHISE AGREEMENT

EXHIBIT A

- 1 Address of the Facility (Section 1 A) _____

2 Full Menu or Limited Menu (Section 1 A) _____

3 Menu Items, if Limited Menu Restaurant (Section 1 A) _____

4 Other Businesses Operated by Franchisee at the Facility (Sections 1 A and 15 B) _____

5 Opening Policy (Section 10 E) _____

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, its Chief Executive Officer

FRANCHISEE

[] A _____ corporation,
[] A _____ limited liability company,
[] A _____ general partnership
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____, and Individually

**LA SALSA FRANCHISE, LLC
EXPRESS RESTAURANT FRANCHISE AGREEMENT**

**EXHIBIT B
FLOOR PLAN**

LA SALSA FRANCHISE, LLC
EXPRESS FRANCHISE AGREEMENT
EXHIBIT C
ENTITY INFORMATION

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects

- (1) Franchisee is a (check as applicable)
[] corporation
[] limited liability company
[] general partnership
[] limited partnership
[] Other (specify) _____

State of incorporation/organization _____

Name of entity _____

(2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (collectively the "Entity Documents")

(3) Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect, financial interest in Franchisee

(4) The name and address of each of Franchisee's Owners, members, or general and limited partners

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
		(if applicable)

(5) There is set forth below the names, addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Restaurant

NAME	ADDRESS	TITLE

(6) The address where Franchisee's Financial Records and Entity Documents (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is _____

(7) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the partners, shareholders and members of Franchisee and the ownership of Franchisee upon demand by Franchisor. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in the Franchise Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, Its Chief Executive Officer

FRANCHISEE

[] A _____ corporation,
[] A _____ limited liability company
[] A _____ general partnership,
[] A _____ limited partnership,
[] An individual
[] Other (specify) _____

By _____

Name _____

Title _____ and Individually

EXHIBIT F

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

**NON-DISCLOSURE AGREEMENT FOR EMPLOYEES AND INDEPENDENT
CONTRACTORS OF FRANCHISEE**



EXHIBIT F

NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES AND INDEPENDENT CONTRACTORS OF FRANCHISEE (this 'Agreement') is made this ___ day of ____, 20__ (the 'Effective Date'), by and between _____ (Franchisee), on the one hand, and _____ (Recipient), on the other hand, with reference to the following facts

A LA SALSA FRANCHISE, LLC, a Delaware limited liability company (Franchisor) and its affiliates have developed the La Salsa® franchise, which is a fast-food restaurant business that sells fresh, high quality Mexican-style food products, uses the trade name La Salsa®, which is a registered trademark and service mark (the 'Proprietary Marks'), and uses the La Salsa® System (the 'System'), a system of food production and restaurant operating techniques that are licensed to franchisees and identify the franchised restaurants with the La Salsa® reputation for quality and service

B The System also includes confidential and proprietary information regarding the System including without limitation, Franchisor's operations and training manuals and any other written directives related to the System (the 'Confidential Operations Manual'), Franchisor's operating methods and business practices, Franchisor's relationships with its franchisees, the interior and exterior designs Franchisor and its affiliates have developed for La Salsa® restaurants, and other items of trade dress, Franchisor's specifications for equipment, fixtures and uniforms, Franchisor's defined product offerings, recipes, preparation methods and specified pricing and promotions, Franchisor's ownership restrictions, standard operating and administrative procedures and management and technical training programs, and Franchisor's marketing and public relations programs (collectively, the "Confidential Information"). The Proprietary Marks used to identify the System may be modified by Franchisor, from time to time. Franchisor continues to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under the Proprietary Marks and the System and to represent the System's high standards of quality, appearance and service.

C Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a La Salsa® restaurant (the 'Restaurant') and to use the System, the Proprietary Marks, the Confidential Operations Manual, and the Confidential Information, in the operation of the Restaurant.

D Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisory and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement of all supervisory and managerial personnel employed by

Franchisee and each independent contractor to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends

NOW, THEREFORE, IT IS AGREED

1 **ACKNOWLEDGMENTS OF RECIPIENT**

1.1 **No Prior Experience, Information or Knowledge** Prior to his or her employment or engagement by Franchisee, Recipient had no experience information or knowledge whatsoever about the operation of a fast-food restaurant business that sells fresh high quality Mexican-style food products, the Restaurant, the System or the Confidential Information. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee

1.2 **Confidential Information** The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services recipes, sources of materials and equipment, client management and other software, data, other content formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the La Salsa® restaurants which may be communicated to Recipient, the Confidential Operations Manual, the Proprietary Marks and any other information or material considered proprietary by Franchisor, whether or not designated as Confidential Information by Franchisor. Confidential Information also includes the manner in which any of the above-described items may be combined with other information or products or synthesized or used by Franchisor, Franchisee or Recipient. Confidential Information does not include any information that (i) was in the lawful and unrestricted possession of Recipient prior to its disclosure to Recipient by Franchisee, (ii) is or becomes generally available to the public by acts other than those of Recipient after receiving it, (iii) has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisee or Franchisor, or (iv) is shown by acceptable evidence to have been independently developed by Recipient

1.3 **Independent Value** The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates its franchisees and Franchisee, (ii) derives independent economic

value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee, and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements

1.4 **Valuable and Proprietary** The Confidential Information has been developed by Franchisor, its founder and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates

2 **COVENANTS OF RECIPIENT**

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends

2.1 **Maintain Confidentiality** Recipient will fully and strictly maintain the confidentiality of the Confidential Information will exercise the highest degree of diligence in safeguarding the Confidential Information, and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel at the time they are employed by Franchisee in a supervisory or managerial capacity, or independent contractors at the time they are engaged by Franchisee, and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2.2 **No Reproduction or Use** Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2.3 **Restrictions** Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity (i) divert or attempt to divert any present or prospective La Salsa® customer 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 the Proprietary Marks and the System, (ii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor, Franchisee or an affiliate of Franchisor or Franchisee as a supervisory or managerial

employee, or otherwise directly or indirectly induce the person to leave his or her employment or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any business that offers fresh high quality Mexican-style food products for sale to the public and any business which looks like, copies, imitates, or operates a business similar to a La Salsa® restaurant

2.4 **Third Party Beneficiary** Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement

3 **GENERAL TERMS**

3.1 **Injunction** Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 **Heirs and Successors, Entire Agreement** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisee, Recipient and Franchisor that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.3 **No Right to Use Proprietary Marks or System** This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement the male

gender shall include the female and neuter genders, the singular shall include the plural and the plural the singular

3 6 **Attorneys Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys fees and costs of suit.

3 7 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3 8 **Notices** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to

Fax _____

With a copy to

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine California 92602
Attention: Charles Rink, President
Facsimile No. (949) 270-8901

Any notice or demand to Recipient shall be given to

Fax _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3 9 **Governing Law and Venue** This Agreement shall be interpreted and construed under the laws of California. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of California in the county in which Franchisor has its principal place of business at the time the action is initiated, or as otherwise selected by Franchisor in its sole and absolute discretion, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3 10 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date

FRANCHISEE

RECIPIENT

A _____

By

Name _____

Title _____

EXHIBIT G

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

**LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT G
CONFIDENTIALITY AGREEMENT**

[Date]

THIS CONFIDENTIALITY AGREEMENT (this **Agreement**) is made this ____ day of _____, 20____ (the **'Effective Date'**) by and between **La Salsa Franchise, LLC**, a Delaware limited liability company (**Franchisor**), on the one hand, and _____ a _____ (**Candidate**), on the other hand, with reference to the following facts

A Franchisor and its affiliates have developed the La Salsa® franchise, which is a fast-food restaurant business that sells fresh, high quality Mexican-style food products, uses the trade name **La Salsa®**, which is a registered trademark and service mark (the **Proprietary Marks**), and uses the La Salsa® **System** a system of food production and restaurant operating techniques that are licensed to franchisees and identify the franchised restaurants (the **"Restaurants"**) with the La Salsa® reputation for quality and service B

B The La Salsa® **System** also includes Franchisor's operating methods and business practices, Franchisor's relationships with its franchisees, the interior and exterior designs Franchisor and its affiliates have developed for La Salsa® Restaurants, and other items of trade dress, Franchisor's specifications for equipment, fixtures and uniforms, Franchisor's defined product offerings, recipes, preparation methods and specified pricing and promotions, Franchisor's ownership restrictions, standard operating and administrative procedures and management and technical training programs, and Franchisor's marketing and public relations programs The **Proprietary Marks** used to identify the **System** may be modified by Franchisor, from time to time Franchisor continues to develop, use and control the use of the **Proprietary Marks** in order to identify for the public the source of services and products marketed under the **Proprietary Marks** and the **System**, and to represent the **System**'s high standards of quality, appearance and service

C Franchisor may provide Candidate with confidential and proprietary information regarding the **System** prior to granting or declining to grant Candidate a franchise Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement

2 CONFIDENTIALITY

2.1 **Confidential Information** Candidate acknowledges and agrees that the System is comprised of confidential information that has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurants which may be communicated to Candidate, or of which Candidate may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**") Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Candidate after receiving it, has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate, or is shown by acceptable evidence to have been independently developed by Candidate.

2.2 **Value** Candidate acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Candidate, derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor, its franchisees or Candidate, and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

2.3 **Maintain Confidentiality** Candidate specifically acknowledges and agrees that prior to obtaining the Confidential Information from Franchisor, Candidate had no experience, information or knowledge whatsoever about the operation of a fast-food restaurant business that sells fresh, high quality Mexican-style food products, the Restaurant or the System and that Candidate's knowledge of the Confidential Information was obtained solely from Franchisor. Candidate shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Confidential Information. Candidate shall divulge such Confidential Information only to such of its employees who must have access to it in order to perform their employment responsibilities.

3 **GENERAL**

3.1 **Injunction** Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2 **Heirs and Successors** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3 **Entire Agreement** This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4 **No Warranties** Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the franchised business, that Candidate has been informed by Franchisor that there can be no guaranty of success in the franchised business and that Candidate's business ability and aptitude is primary in determining his success.

3.5 **No Right to Use the System or the Proprietary Marks** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3 6 **Waiver** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance

3 7 **Validity** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect

3 8 **Headings and Gender** The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

3 9 **Attorneys Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys fees and court costs incurred by Franchisor in the legal proceedings If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys fees and costs of suit

3 10 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law

3 11 **Notices** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail Service shall be deemed conclusively made (i) at the time of service, if personally served (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by Certified Mail Return Receipt Requested, with postage prepaid Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party

Notices to Franchisor

La Salsa Franchise, LLC
320 Commerce, Suite 100
Irvine, California 92602
Attention: President

With a copy to (which shall not constitute notice)

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile No (818) 981-4764

Notices to Candidate

Attention _____

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party

3 12 **Governing Law** This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 3 12 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

3 13 **Venue** The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3 14 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date

CANDIDATE

- ☐ A _____ corporation,
☐ A _____ limited liability company,
☐ A _____ general partnership,
☐ A _____ limited partnership,
☐ An individual
☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

ACKNOWLEDGED & AGREED

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____

Name Charles Rink

Title President

EXHIBIT H
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE

LA SALSA FRANCHISE, LLC
UNIFORM FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H

GENERAL RELEASE

THIS GENERAL RELEASE (this **Release Agreement**) is made by and among La Salsa Franchise, LLC, a Delaware limited liability company (**Franchisor**), and _____, a _____ (**Franchisee**), _____ (**Owner**) and together with Franchisee, jointly and severally, "**Releasor**"), effective as of the ____ day of _____, 20____ (the **Effective Date**) with reference to the following facts

A Franchisor and Franchisee are parties to those certain La Salsa® Franchise Agreements, dated _____, _____ (collectively, the **Franchise Agreements**) for the Restaurant(s) at the following _____ locations _____

B Franchisee desires to enter into a _____

C This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasor, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasor acknowledges that this Release Agreement is intended to wipe the slate clean.

Releasor and Franchisor hereby agree as follows

1 **Definitions** As used herein, the following capitalized terms have the meanings ascribed to them

1.1 **'Claims'** means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature

1.2 **'Franchisor Released Parties'** means Franchisor and each of its Constituents

1.3 **'Constituents'** means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing

1.4 **'Excluded Matters'** means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Documents on and after the date of this Release Agreement (this Release Agreement is not intended to terminate or amend the Franchise Documents, this Release

Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Documents were to have been performed or completed prior to the Effective Date)

1.5 **'Losses'** means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, lawsuit or arbitration

2 **General Release Agreement** Releasor (and each of them) for itself and its Constituents, hereby releases and forever discharges Franchisor Released Parties (and each of them) from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date of this Release Agreement, except for the Excluded Matters and obligations under this Release Agreement

3 **Waiver of Section 1542 of the California Civil Code**

3.1 Releasor, for itself and themselves, and on behalf of its Constituents, acknowledge that it is familiar with Section 1542 of the California Civil Code, which reads as follows

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR

3.2 With respect to those claims being released pursuant to Section 2 hereunder, Releasor, for itself and themselves, and on behalf of its Constituents, acknowledge that it is releasing unknown Claims and waives all rights it has or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasor (and each of them) shall be considered to be creditors of Franchisor Released Parties, and each of them

3.3 Releasor (and each of them) acknowledges that this general release extends to claims which Releasor (and each of them) does not know or suspect to exist in favor of Releasor (or any of them) at the time of executing this Release Agreement, which if known by Releasor (or any of them) may have materially affected its or their decision to enter into this Release Agreement. It is understood by Releasor (and each of them) that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Releasor (and each of them), therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts

4 **Representations and Warranties** Releasor (and each of them) hereby represents and warrants to Franchisor that, in entering into such release, it (i) is doing so freely and voluntarily upon the advice of counsel and business advisor of its own choosing (or declined to do so, free from coercion, duress or fraud), (ii) has read and fully understands the terms and scope of the Release Agreement that such party is entering into, (iii) realizes that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in the Release Agreement entered into by the party, and (iv) has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are called for to be

released by this Release Agreement now or in the future, that it is aware of no third party who contends or claims otherwise, and that it shall not purport to assign, transfer, or convey any such claim hereafter

5 **Covenants Not to Sue** Releasor (and each of them) hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Claim or demand, or commencing, initiating or causing to be commenced, any proceeding of any kind against any Franchisor Released Party, based upon any matter purported to be released hereby

6 **Indemnity** Without in any way limiting any of the rights and remedies otherwise available to any Franchisor Released Party, Releasor (and each of them) shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third party Claims arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasor or its Constituents of any Claim or other matter purported to be released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters purported to be released pursuant to this Release Agreement, and (iii) any breach of representations, warranties or covenants hereunder by Releasor or its Constituents

7 **Miscellaneous**

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto

7.2 This Release Agreement, together with the agreements referenced herein, constitute the entire understanding between and among the parties hereto with respect to the subject matter hereof

7.3 This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement

7.4 This Release Agreement may be executed by facsimile, and signatures on a facsimile copy hereof shall be deemed authorized original signatures

7.5 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns

7.6 The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties hereto, and shall have no applicability in construing this Release Agreement or the terms of this Release Agreement

7.7 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction

7.8 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and

each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud

7 9 This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth herein.

7 10 This Release Agreement shall be governed by and construed in accordance with the internal laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7 10 is intended by the parties to subject this Release Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in Orange County, California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement
as of the date set forth above

FRANCHISOR

LA SALSA FRANCHISE, LLC
A Delaware limited liability company

By _____
Charles Rink, its Chief Executive Officer

RELEASOR

FRANCHISEE

By _____

Name _____

Its _____

OWNER

_____, an individual

_____, an individual

EXHIBIT I
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
GUARANTEES

LA SALSA FRANCHISE, LLC
UNIFORM FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I

GUARANTEE OF AGREEMENTS

The undersigned ('**Guarantors**'), have requested [La Salsa Franchise, LLC] [Las Acquisition, LLC a Delaware limited liability company ('**Company**'), to consent to _____ of that certain [Area Development] [Franchise] [Asset Purchase] [Sublease] [Assumption] [Security] Agreement [Promissory Note] dated _____, 20____ (the "**Agreement**") to _____, a _____ [**Developer**] ["**Franchisee**"] ["**Buyer**"] [**Sublessee**"] the _____ under the Agreement with Company, and such other agreements or instruments which may now or hereafter be entered into between [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] and Company in connection with the foregoing (collectively, the "**Agreements** ") all in connection with the La Salsa® franchise business known as La Salsa #__ located at _____

In consideration of Company's

entering into such Agreements, Guarantors hereby agree as follows

1 The word '**Indebtedness**' herein means and includes any and all obligations of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] arising under or pursuant to the Agreements, and all other obligations, whether now existing or hereafter arising, of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] to Company of whatever nature

2 Guarantors, jointly and severally, irrevocably and unconditionally, fully guarantee to Company the prompt, full and complete payment of any and all Indebtedness of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] to Company and the performance of any and all obligations of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] including, without limitation, obligations under the Agreements or any other agreement, instrument or lease relating to, evidencing or securing any Indebtedness

3 If [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] fails to pay any of the Indebtedness, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Company, pay all of the Indebtedness in like manner as if the Indebtedness constituted the direct and primary obligation of Guarantors. Guarantors further agree that if any obligation, covenant or agreement contained in the Agreements is not observed, performed or discharged as required by such instrument (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Company, observe, perform or discharge such obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors

4 No exercise or non-exercise by Company of any right hereunder, no dealing by Company with [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] [Debtor] [Maker] or any other person and no change, impairment or suspension of any right or remedy of Company shall in any way affect any Indebtedness of Guarantors hereunder or give Guarantors any recourse against [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Company gives notice thereof or obtains the consent of Guarantors thereto, Guarantors liability hereunder shall not be released, extinguished or otherwise reduced in any way by reason of (a) any amendment, modification, renewal, extension, substitution or replacement of the Agreements or of any of the Indebtedness, in whole or in part, (b) any acceptance, enforcement or release by Company of any security for the Agreement or of any of the Indebtedness, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Agreements or the

Indebtedness or any security therefore, (c) any assignment of this Guarantee, in whole or in part by Company, or any assignment or transfer of the Agreements (or any of them) by Company or [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker], (d) the invalidity or unenforceability of any provision of the Agreements or any of the Indebtedness, or (e) any failure, omission or delay of Company in enforcing the Agreements, the Indebtedness or this Guarantee

5 Guarantors waive and agree not to assert or take advantage of (a) any right to require Company to proceed against [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] or any other person, firm or corporation or to proceed against or exhaust any security held by Company at any time or to pursue any other remedy in Company's power, (b) any statute of limitations in any action hereunder to collect any Indebtedness guaranteed hereby, (c) any defense that may arise by reason of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]'s incapacity, lack of authority, insolvency or bankruptcy or Company's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker], any other or others, (d) any defense arising out of any alteration of the Agreements or the Indebtedness, (e) notice of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]'s default in the payment or performance of any of the Indebtedness, (f) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence creation or incurring of new or additional Indebtedness or obligations or of any action or non-action on the part of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker], Company, any endorser, creditor of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Indebtedness held by Company or in connection with any Indebtedness hereby guaranteed, (g) all rights and defenses arising out of an election of remedies by Company, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] by operation of law or otherwise, (h) any duty of Company to disclose to Guarantors any facts that Company may now or hereafter know about [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker], regardless of whether Company has reason to believe that any such facts materially increase the risk beyond that which Guarantors intend to assume or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors are responsible to be and to keep informed of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]'s financial condition and of all circumstances bearing on the risk of nonpayment of any Indebtedness hereby guaranteed, and (i) any right to the benefit of or to direct the application of any security held by Company

6 Until all Indebtedness to Company is paid in full and all [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]'s obligations to Company are fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Company now has or may hereafter have against [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]

7 Without limiting the generality of anything contained herein, Guarantors waive and agree not to assert or take advantage of (a) all rights described in California Civil Code Sections 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive, and (b) California Civil Code Section 2899

8 All existing or future indebtedness of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] to Guarantors and any right to withdraw any capital of Guarantors invested in [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] are hereby subordinated to all Indebtedness hereby guaranteed

9 Guarantors' liabilities and all rights, powers and remedies of Company hereunder and under any other agreement now or at any time hereafter in force between Company and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Company by law

10 The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and not of collection. Guarantors' obligations hereunder are joint and several, and independent of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker]'s obligations. This is a Continuing Guarantee. It shall be irrevocable during the initial and any renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Agreements and until all Indebtedness has been fully paid and the obligations guaranteed have been fully performed. Thereafter, this Guarantee may be revoked only by written notice by Guarantors to Company after Company's receipt of such notice. In the event of any default hereunder, a separate action and/or successive actions may be brought and prosecuted against Guarantors, or any of them, regardless of whether action is brought against [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] or whether [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] is joined in any such action or actions. Company may maintain successive actions for other defaults. Company's rights hereunder shall not be exhausted by Company's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Indebtedness has fully been paid and performed.

11 Neither any provision of this Guarantee nor right of Company hereunder can be waived nor can Guarantors, or any of them, be released from Guarantors' obligations hereunder except by a writing duly executed by Company. Should any provision(s) or portion(s) of any provisions of this Guarantee be found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions nevertheless shall be effective.

12 This Guarantee shall be governed by and construed in accordance with the internal laws of the State of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Guarantee to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Any controversy or claim arising out of or relating to this Guarantee, including any issues pertaining to the ability of such controversy or claim to be resolved by arbitration and any claim that this Guarantee or any part hereof is invalid, illegal or otherwise voidable or void, shall be submitted to mediation and an arbitration in the same manner and subject to the same exceptions as provided in Article 18 of the Franchise Agreement, which is incorporated herein by reference.

13 The obligations of Guarantors shall be primary and are independent of the obligations of [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] and Company may directly enforce its rights under this Guarantee without proceeding against or joining [Developer] [Franchisee] [Buyer] [Sublessee] [Debtor] [Maker] or any other person or entity, or applying or enforcing any security of the Agreements.

14 This Guarantee constitutes the entire agreement of Guarantors and Company with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Company unless expressed herein.

15 This Guarantee is for the benefit of the parties (and their permitted successors and assigns) only and is not intended to and shall not confer any rights or benefits upon any person who is not a party hereto.

16 Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail) or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to Company at 320 Commerce, Suite 100, Irvine, California 92602, Attention: Chief Executive Officer, Facsimile No. (949) 270-8901, and to Guarantors at the address set forth below the applicable Guarantor's signature below. Any party may change the address to which notice to such party shall

be sent hereunder by providing the other party with notice of such address in accordance with the provisions of this paragraph

17 This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

Executed by or on behalf of Guarantors on the date set forth below

Dated _____

Dated _____

EXHIBIT J

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

CATERING ADDENDUM TO FRANCHISE AGREEMENT

LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J

CATERING ADDENDUM TO FRANCHISE AGREEMENT

THIS CATERING ADDENDUM TO FRANCHISE AGREEMENT (this 'Addendum') is made and entered into as of _____, by and between La Salsa Franchise, LLC, a Delaware limited liability company ("Franchisor"), on the one hand, and _____ ("Franchisee"), on the other hand, with reference to the following facts

A Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement"), which they wish to modify by means of this Addendum

B Franchisor permits franchisees to offer off-premises catering of La Salsa food products and beverages ("Catering Services") from their franchised La Salsa Restaurants only if the Catering Services are offered exclusively through Franchisor's centralized catering program ("Catering Program") In connection with the Catering Services, a franchisee may provide a range of services in addition to providing food and beverages These services may include (i) delivery, (ii) delivery and set up, (iii) chafing dish set up with or without servers, (iv) equipment rental and/or (v) execution of event and tear down (collectively the "Additional Services")

C Franchisee desires to provide Catering Services, including the Additional Services, from the Restaurant Franchisor and Franchisee enter into this Addendum to set forth the procedures that will govern Franchisee's offering of Catering Services from the Restaurant and to modify certain provisions of the Franchise Agreement regarding Franchisee's right to provide Catering Services from the Restaurant in accordance with the Catering Program

NOW THEREFORE, the parties agree as follows

1 AUTHORIZATION

Franchisee is hereby authorized to provide Catering Services, including the Additional Services, from the Restaurant in accordance with the Catering Program, subject to the terms, conditions and limitations contained in this Addendum and Franchisor's Catering Handbook (the "Handbook") This Addendum relates exclusively to the Restaurant and does not authorize Franchisee to provide Catering Services from any other La Salsa Restaurant operated by Franchisee This Addendum shall terminate upon the expiration or termination of the Franchise Agreement Franchisee shall offer Catering Services from the Restaurant only as part of the Catering Program

2 PARTICIPATION REQUIREMENTS

Franchisee represents and warrants to Franchisor that, if Franchisee leases or subleases the Franchised Location, there are at least two years remaining in the total lease/sublease term (including Franchisee's renewal options)

3 CENTRALIZED ORDER PROCEDURE

A Telephone Number

Franchisor shall maintain a centralized telephone number through which customers place orders for Catering Services (the **Centralized Order Procedure**). Franchisor shall have the right to develop other means such as a web-based ordering system for Catering Services. Franchisor shall be responsible for maintaining the toll free telephone number(s) and any websites used in the Centralized Order Procedure (and Franchisor shall own all telephone numbers and websites)

B Use of Centralized Order Procedure

Franchisee agrees that all orders for Catering Services must be placed through the Centralized Order Procedure. Franchisee shall not accept any orders for Catering Services directly from a customer. If a customer attempts to place an order for Catering Services directly with Franchisee, Franchisee shall refer the customer to the Centralized Order Procedure.

4 IDENTIFICATION OF THE LA SALSA RESTAURANT

Once an order is placed through the Centralized Order Procedure, Franchisor shall identify the company or franchised La Salsa Restaurant geographically closest to the location where the Catering Services will be provided that is participating in the Catering Program to fill the order and Franchisor shall contact the Restaurant to determine the Restaurant's ability to perform the requested Catering Services, which determination Franchisee or the Restaurant's General Manager must immediately advise Franchisor. Franchisor shall provide the Restaurant with all details necessary to complete the order. If the contacted Restaurant elects not to fill the Catering Services order, Franchisor shall have sole discretion regarding the next Restaurant to which the order is offered. Franchisee's election to fill a Catering Services order is irrevocable. Franchisor reserves the right to require Franchisee to confirm in writing its election to fill a Catering Services order.

5 NO EXCLUSIVITY

Neither this Addendum nor the Franchise Agreement grants any exclusive rights to Franchisee with respect to Catering Services. Franchisee's rights are non-exclusive and, subject to the limitations in Section 4, Franchisor is free to offer and to permit third parties to offer Catering Services in proximity to the Restaurant.

6 CATERING MENU

A Menu

Franchisor has created a catering menu, which it may revise from time to time, and which Franchisor shall provide to Franchisee. Franchisee shall make the menu available to customers of the Restaurant and Franchisee agrees to provide all food and beverage items and services listed on the catering menu. Franchisee may not offer any food or beverage items or services not included on Franchisor's catering menu.

B Pricing Franchisor's catering menu shall include pricing for catering food and beverage products. Franchisee is not required to charge customers the same prices as contained in Franchisor's menu and Franchisee may establish prices for Catering Services for the Restaurant different from those suggested by Franchisor. If Franchisee establishes different prices, Franchisee must separately prepare a catering menu with the different prices for its Restaurant and provide ample copies of that alternative catering menu to Franchisor for use by Franchisor in the Centralized Order Procedure. Franchisee shall bear all costs and expenses in connection with the production of any alternative menu. Any such alternative menu may only modify the prices for the food and beverage products; it may not modify the food and beverage products to be offered.

7 CONFIRMATION OF ORDER.

Franchisor shall provide each Catering Services customer with a written purchase order for execution and provide a copy of the purchase order to Franchisee. Franchisor will obtain confirmation with Catering Services customer and call Franchisee to verify all details have been received and understood.

8 GROSS SALES

For purposes of this Addendum, the definition of "Gross Sales" in the Franchise Agreement is modified to include all sales or other income derived from the Catering Services and Additional Services offered from the Restaurant, however, any gratuities paid to Franchisee or its employees shall not be included in the computation of Gross Sales. For purposes of computing Gross Sales, all sales and other income from Catering Services shall be included in Gross Sales when the catering services are provided.

9 PAYMENT FOR CATERING SERVICES

Franchisor shall take each Catering Services customer's payment information at the time the order for Catering Services is placed. Franchisor shall provide the payment information to Franchisee and Franchisee shall charge the customer's credit card when the Catering Services are provided. Franchisee shall implement appropriate security and privacy procedures to store and retain all customer payment information and comply with all applicable laws and regulations. Franchisor reserves the right to require a deposit at the time the order is placed.

10 CATERING MANAGEMENT FEE

In addition to all other amounts to be paid by Franchisee to Franchisor under the Franchise Agreement, Franchisee shall pay Franchisor a nonrefundable and continuing fee in the amount of twelve percent (12%) of the monthly Catering Services and Additional Services income from the Restaurant that is subject to sales tax ("Catering Management Fee"). The Catering Management Fee shall be payable at the same time and in the same manner as the royalty fee.

11 CATERING SERVICES FEE

Franchisee shall have the right to charge a fee to a Catering Services customer to cover incidental expenses ("Catering Services Fee") in amount not to exceed ten percent (10%) of that customer's Catering Services and Additional Services charges subject to sales tax.

12 CATERING MARKETING FUND

Franchisor reserves the right, in its sole discretion, to establish a Catering Marketing Fund. As of the date of this Addendum, it is not Franchisor's intent to require monthly payments to the Catering Marketing Fund, but rather to only require Franchisee to contribute those amounts as are determined from time to time by Franchisor to support specific initiatives relating to catering. Franchisee agrees to participate in the Catering Marketing Fund, should one be established, as directed by Franchisor. Franchisor or its designee shall direct all marketing and advertising activities financed by the Catering Marketing Fund. Franchisee agrees that the Catering Marketing Fund may be used to pay the cost of marketing and advertising activities directed toward the provision of Catering Services through the Catering Program. Payments to the Catering Marketing Fund are in addition to advertising and marketing payments required by the Franchise Agreement.

13 DELIVERY VEHICLE

At all times, Franchisee shall use a vehicle to provide the Catering Services that satisfies Franchisor's standards ("Delivery Vehicle") and which is maintained in good condition and repair. Franchisor shall have the right from time to time to require that Franchisee lease or purchase specified types of vehicles for use as a Delivery Vehicle. At all times, Franchisee shall have in full force that insurance as Franchisee determines is necessary or appropriate for liabilities arising from Franchisee's or its designees' use of the Delivery Vehicle, but in any event no less than the minimum insurance required by Franchisor in the Franchise Agreement or otherwise. Franchisor may require that Franchisee use the Delivery Vehicle to advertise the Catering Services in such manner as specified by Franchisor from time to time.

14 HARDWARE AND SOFTWARE

Franchisee agrees to procure and install such data processing equipment, computer hardware, required dedicated telephone and power lines, high speed Internet connections, modems, printers and other computer related accessory or peripheral equipment as Franchisor specifies in order to effectively participate in the Catering Program.

15 EQUIPMENT

In connection with its participation in the Catering Program, Franchisee shall purchase or lease and maintain in good condition and repair all furnishings, fixtures, goods, materials, equipment, smallwares and similar items as required by Franchisor.

16 INSURANCE

The insurance requirements of the Franchise Agreement shall include the provision of Catering Services and Additional Services from the Restaurant.

17 COMPLIANCE WITH LAWS

Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the provision of Catering Service. Franchisee shall provide the Catering Services in full compliance with all applicable laws, ordinances and regulations including, without limitation, all laws or regulations governing or relating to the handling of food products.

18 CUSTOMER COMPLAINTS

Franchisor retains the right to resolve any and all customer complaints regarding the Catering Services and, with respect to customer complaints relating to Catering Services provided by Franchisee, to charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving those customer complaints, which amount Franchisee shall pay Franchisor immediately on demand.

19 MODIFICATIONS OF THE CATERING PROGRAM

Franchisor, in its sole discretion, shall be entitled, from time to time, to change or modify the Catering Program, including, but not limited to, modifications to the Handbook. Franchisee shall accept and incorporate any such changes or modifications as if they were part of the Catering Program at the time that Franchisee executed this Addendum, and Franchisee shall make any and all expenditures as the changes or modifications to the Catering Program require.

20 TERMINATION OF FRANCHISEE'S RIGHT TO PROVIDE CATERING SERVICES

A By Franchisor Franchisor shall have the right to terminate Franchisee's authorization to participate in the Catering Program if

1 Franchisor decides, in its reasonable business judgment, to terminate the Catering Program, in which case Franchisor shall provide Franchisee ninety (90) days' written notice of its decision

2 Franchisee defaults with respect to its obligations under this Addendum or remains in default beyond the applicable cure period, if any, under the Franchise Agreement

3 In any twelve (12) month period, Franchisee refuses, on two (2) or more occasions, to accept a Catering Services order offered to Franchisee or Franchisee fails, on two (2) or more occasions, to fill a Catering Services order Franchisee accepted

4 Franchisee offers Catering Services outside the Catering Program at the Restaurant or Franchisee offers any Catering Services at any other franchised La Salsa Restaurant it operates (unless a Catering Addendum has been signed for that Restaurant)

5 The Franchise Agreement expires or has been terminated

B By Franchisee Franchisee shall have the right to terminate its participation in the Catering Program without cause following ninety (90) days' advance written notice to Franchisor

21 OBLIGATIONS ON TERMINATION OR EXPIRATION

In addition to any relevant obligations under the Franchise Agreement, upon termination or expiration of this Franchisee's authorization to participate in the Catering Program

A Franchisee shall immediately pay Franchisor all fees due and owing Franchisor pursuant to this Addendum

B Franchisee shall immediately cease providing Catering Services from the Restaurant

C Franchisee shall immediately return to Franchisor any and all materials relating to Catering Services and the Catering Program that were provided by Franchisor, including the Handbook

D Franchisee shall immediately remove the Marks from the Delivery Vehicle, if applicable

E Franchisee shall immediately cease all advertising for Catering Services from the Restaurant

22 MISCELLANEOUS

A Terms All capitalized terms not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

B Captions All captions in this Addendum are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Addendum

C This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified

and confirmed If there is a conflict between the terms of the Franchise Agreement and the terms of this Addendum, this Addendum shall govern

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the day and year first above written

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink
Its Chief Executive Officer

FRANCHISEE

By _____
Its _____

The undersigned, guarantors of Franchisee's obligations under the Franchise Agreement, expressly agree that their obligations under the Guarantee extend to all of Franchisee's obligations under this Addendum

Dated _____, Guarantor

Address

Fax _____

Dated _____, Guarantor

Address

Fax _____

Dated _____, Guarantor

Address

Fax _____

Dated _____, Guarantor

Address

Fax _____

EXHIBIT K

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO FRANCHISE AGREEMENT FOR PURCHASE OF OPERATING
RESTAURANT**

LA SALSA FRANCHISE, LLC

EXHIBIT K

FRANCHISE DISCLOSURE DOCUMENT

ADDENDUM FOR RESTAURANT PURCHASE

THIS ADDENDUM FOR RESTAURANT PURCHASE (this "Addendum") is made and entered into as of _____, by and between La Salsa Franchise, LLC, a Delaware limited liability company ("Franchisor"), on the one hand, and _____, a _____ (collectively "Franchisee"), on the other hand, with reference to the following facts

A Franchisee has purchased the assets of a La Salsa restaurant (the "Restaurant") from an affiliate of Franchisor

B Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement"), which they wish to modify by means of this Addendum, with respect to the operation of the Restaurant

C Due to fact that Franchisee is purchasing an existing and operating La Salsa Restaurant, certain provisions of the Franchise Agreement are not applicable to Franchisee, and Franchisee and Franchisor wish to modify the Franchise Agreement accordingly

D All capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Agreement

NOW, THEREFORE, IT IS AGREED

1 The following Sections of the Franchise Agreement shall be deleted in their entirety and have no force or effect Sections 5 1 1, 5 2, 5 3 1, 5 3 2, 5 3 4, 5 4 and 6 3 1

2 This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date first shown above

FRANCHISOR

FRANCHISEE

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink
Its Chief Executive Officer

- ☐ an individual,
☐ a _____ general partnership,
☐ a _____ limited partnership,
☐ a _____ limited liability company,
☐ a _____ corporation

By _____
Its _____, and individually

EXHIBIT L

**LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
OPTION TO OBTAIN LEASE ASSIGNMENT**

LA SALSA FRANCHISE, LLC
EXHIBIT L
OPTION TO OBTAIN LEASE ASSIGNMENT

LA SALSA FRANCHISE, LLC
OPTION TO OBTAIN LEASE ASSIGNMENT
TABLE OF CONTENTS

1	INCORPORATION OF RECITALS	1
2.	OPTION	1
3	ONLY EFFECTIVE UPON EXERCISE OF OPTION	1
4	CONSENT TO ASSIGNMENT	2
5	EXERCISE OF OPTION BY FRANCHISOR	2
6	TERM OF AGREEMENT	3
7	TERMINATION OF LEASE AND FRANCHISE AGREEMENT	3
8	RESTRICTIONS ON TRANSFER	4
9	POWER OF ATTORNEY	4
10	GENERAL PROVISIONS	4
	SIGNATURES	6

LA SALSA FRANCHISE, LLC
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT AGREEMENT (this "Agreement") is made this _____ day of _____, 20____, by _____ and _____ between _____, a _____ ("Franchisee"), _____, a _____ ("Lessor") on the one hand, and La Salsa Franchise, LLC, a Delaware limited liability company ("Franchisor"), on the other hand, with reference to the following facts

A On _____, _____, Lessor, as Lessor, and Franchisee, as Tenant, entered into a Lease (the "Lease") for the premises located at _____ (the "Franchised Location"), pursuant to which Franchisee leased the Franchised Location from Lessor for the purpose of operating a franchised La Salsa® Restaurant (the "Franchised Unit") at the Franchised Location

B On _____, _____, Franchisor, as Franchisor, and Franchisee, as Franchisee, entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisee agreed to operate the Franchised Unit at the Franchised Location as a Franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement

C Franchisee, Franchisor and Lessor desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a La Salsa® Restaurant at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The Recitals set forth in Paragraph A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement

2 OPTION

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Sections 3.1 through 3.7 of this Agreement (the "Option"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "Assignment")

3 ONLY EFFECTIVE UPON EXERCISE OF OPTION

This Agreement shall be effective upon the date hereof, however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events

3.1 **Franchise Agreement** The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement, or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement

3.2 **Lease** The occurrence of (i) any acts which would result in the termination or merger of the Lease, or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease

3.3 **Sale of Franchised Unit** If Franchisee without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Franchised Unit, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Franchised Unit, or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement

3.4 **Failure to Exercise Option to Renew or Extend** If Franchisee shall fail to exercise any option to renew or extend the term of the Lease

3.5 **Insolvency** If Franchisee (i) is adjudicated insolvent or makes an assignment for the benefit of creditors, or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property, or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days

3.6 **Bankruptcy** If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days

3.7 **Purchase of Franchised Location** If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Lessor

Franchisee and Lessor shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Sections 3.1 through 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Sections 3.1 through 3.7 of this Agreement

4 **CONSENT TO ASSIGNMENT**

Lessor hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Lessor, nor shall the Franchised Location be sublet by Franchisee with the consent of Lessor, without the prior written consent of Franchisor

5 **EXERCISE OF OPTION BY FRANCHISOR**

Franchisor shall exercise the Option by giving written notice to Franchisee and Lessor of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Sections 3.1 through 3.7 of this Agreement

5.1 **Cure Defaults** If Franchisor exercises the Option, Franchisee, Franchisor, or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor, or its franchisee-designee, is put into actual possession of the Franchised Unit. The period of time to cure all defaults of Franchisee under the Lease shall be

reasonably and appropriately extended by Lessor beyond the cure period provided to Franchisee under the Lease

5.2 **Assignment of Rights** Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Lessor. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.

5.3 **Indemnification by Assignor** Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Lessor or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Lessor as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7 of this Agreement.

6 TERM OF AGREEMENT

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7 TERMINATION OF LEASE AND FRANCHISE AGREEMENT

7.1 **Termination of Lease** If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4 of this Agreement, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, lease either succeed to Franchisee's rights under the Lease or Lessor shall enter into a substitute for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

7.2 **Termination of Franchise Agreement** Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location, and Franchisee shall no longer be entitled to the use or occupancy of the Franchised Unit or the Franchised Location, including all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor. Franchisor shall have the right to manage and operate the Franchised Unit at the Franchised Location immediately upon its exercise of the Option.

7.3 **De-Identification of Franchised Unit** If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Franchised Unit and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics of the Franchised Unit and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color decor and interior and exterior signs and all other items identifying the Franchised Unit and the Franchised Location as a La Salsa® Restaurant.

8 **RESTRICTIONS ON TRANSFER**

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Franchised Unit, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9 **POWER OF ATTORNEY**

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Lessor acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10 **GENERAL PROVISIONS**

10.1 **Governing Law** This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

10.2 **Notices** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail), or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor	La Salsa Franchise, LLC 320 Commerce, Suite 100 Irvine, California Attention: Charles Rink, Chief Executive Officer Facsimile No. (949) 270-8901
-------------------------	--

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436-1865
Facsimile No. (818) 981-4764

If to Franchisee

Attention _____
Facsimile No. _____

If to Lessor

Attention _____
Facsimile No. _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties

10 3 **Waivers** The delay omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment

10 4 **Attorneys' Fees** If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled

10 5 **Modification** This Agreement may be modified only by a writing executed by the party sought to be bound

10 6 **Entire Agreement** This Agreement and the other agreements referred to in this Agreement, and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled

10 7 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law

10 8 **Captions** The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, section or paragraph of this Agreement

10 9 **Gender** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine

10 10 **Successors** This Agreement shall be binding upon all of the parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns

10 11 **Severability** The invalidity of any one or more of the provisions contained in this Agreement as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof

10 12 **Additional Documents** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement

10 13 **Counterparts and Electronic Transmission, Electronic Signatures** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and, all of

which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

10.14 **General** Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement, and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

10.15 **Atypical Terms** Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other La Salsa® Franchisees in a non-uniform manner.

(Signature Page Follows)

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

FRANCHISOR

LA SALSA FRANCHISE, LLC,
A Delaware limited liability company

By _____
Charles Rink, its Chief Executive Officer

FRANCHISEE

☐ A _____ corporation,
☐ A _____ limited liability company,
☐ A _____ general partnership,
☐ A _____ limited partnership,
☐ An individual
☐ Other (specify) _____

By _____

Name _____

Title _____, and Individually

LESSOR

EXHIBIT M
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES

Exhibit M - 2015 La Salsa Franchise Listing

Unit #	Name	Street	City	ST	Zip	Phone
492	Tucson	1021 N Wilmot Road	Tucson	AZ	85711	(520) 747-0066
513	Tucson	3007 E Speedway	Tucson	AZ	85716	(520) 326-4040
588	Fremont	5525 Auto Mall Pkwy	Fremont	CA	94538	(510) 651-1737
1	Pico	11077 W Pico Blvd	Los Angeles	CA	90064	(310) 479-0919
80	Union Bank	445 S Figueroa St #104	Los Angeles	CA	90071	(213) 683-8815
71	Mountain View	660 San Antonio Road Suite A	Mountain View	CA	94040	(650) 917-8290
75	Oakland	501 14th Street Ste 24	Oakland	CA	94612	(510) 834-3422
73	San Bruno	1230 EL Camino Real Ste Q	San Bruno	CA	94066	(650) 588-9722
70	San Leandro	1207 MARINA BLVD	San Leandro	CA	94577	(510) 352-9095
427	Thousand Oaks	382 W Hillcrest Drive #4	Thousand Oaks	CA	91360	(805) 496-1327
515	Purdue Memorial Union	101 N Grant Street	West Lafayette	IN	47906	(765) 494-8895
510	Creve Coeur	12536 Olive Blvd	Creve Coeur	MO	63141	(314) 275-7257
488	Las Vegas - Planet Hollywood	3663 S Las Vegas Blvd #380	Las Vegas	NV	89109	(702) 892-0645
497	Las Vegas - Showcase Mall	3785 S Las Vegas Blvd Ste 1500	Las Vegas	NV	89109	(702) 240-6944
431	Primm	31900 Las Vegas Blvd S	Primm	NV	89019-7002	(800) 386-7867
485	Las Vegas-Fashion Outlets	32100 Las Vegas Blvd South space F542L	Primm	NV	89018	(702) 874-0253
417	Austin	3637 Far West Blvd Ste F	Austin	TX	78731	(512) 342-1010
541	Houston Airport	3200 Terminal Road	Houston	TX	77032	(281) 443-9027

2015 La Salsa Franchise Closures

Unit #	Unit Name	Address	City	State	Zip	Owner	Key Contact	Phone	Confirmed Closing Date
589	Milpitas	602 Great mall Drive #447	Milpitas	CA	95035	SBI Enterprises LLC	David Bevilacqua	(408) 588 - 4060	12/31/14
135	Rockaway	321 Mount Hope Ave	Rockaway	NJ	7866	Demetrios Mikelis	David Bevilacqua	(973) 989-5400	3/1/15
101	Dublin	4930 DUBLIN BLVD	Dublin	CA	94568	Preet Ballagan	David Bevilacqua	(925) 803-9200	3/2/15
401	Northridge	9301 Tampa Avenue Space F	Northridge	CA	91324	Andy Goldman	David Bevilacqua	(818) 700-1501	6/9/15
405	Tucson	4861 E Grant Road #101	Tucson	AZ	85712	Margie Fenton	David Bevilacqua	(520) 322-5800	8/22/15

EXHIBIT N

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT N

STATE STATE ADMINISTRATOR AGENT FOR SERVICE OF PROCESS		
CALIFORNIA	Department of Business Oversight 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California, Commissioner of the Department of Business Oversight 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn Franchise Section 525 West Ottawa G Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St Paul, Minnesota 55101-2198 (651) 296-4026	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St Paul, Minnesota 55101-2198 (651) 296-4026
NEBRASKA	Nebraska Department of Banking And Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171

STATE STATE ADMINISTRATOR AGENT FOR SERVICE OF PROCESS		
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23 rd Floor New York, New York 10271-0332 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	Attention New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division State of Rhode Island Department of Business Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462 9582	Securities Division Department of Business Regulation, Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston Rhode Island 02920 (401) 462 9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823	Director, Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051	Clerk, State Corporation Commission Division of Securities 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Department of Financial Institutions Securities Division P O Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S W Third Floor Tumwater, Washington 98501
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703 (608) 266-1064

EXHIBIT O
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUM

EXHIBIT O

LA SALSA FRANCHISE, LLC

STATE SPECIFIC ADDENDA

Each provision of this Addenda shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of a state are met independently, without reference to this Addenda

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise

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

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

- 1 The following language is added to the end of Item 3 of the Disclosure Document

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U S C A 78a et seq., suspending or expelling such person from membership in such association or exchange

- 2 The fourth row second column in Item 6 of the FDD is hereby deleted in its entirety and replaced with the following

1 5% per month (18% per year), but not exceeding the maximum legal rate, which is currently 10% in California

- 3 Item 10 Footnote '**Seller Financing**' is hereby amended to include the following
"The highest interest rate allowed by law in California is 10% "

- 4 The following paragraphs are added at the end of Item 17 of the Disclosure Document

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

The Franchise Agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq.)

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law but we will enforce it to the extent enforceable

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 638 et seq., and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

EXHIBIT P

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

CLOSING QUESTIONNAIRE

LA SALSA FRANCHISE, LLC

EXHIBIT P

CLOSING QUESTIONNAIRE
(LA SALSA #___)

The undersigned Franchisee desires to enter into (check applicable box) ☐ an Area Development Agreement with La Salsa Franchise, LLC (**Franchisor**), for the development area described below (the "**Development Area**") or ☐ a Franchise Agreement with Franchisor. Franchisor requires that Franchisee complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws

1 Full name of Franchisee

2 ☐ Development Area or ☐ Franchise Location

3 Franchisee is (Check applicable box)

☐ An individual,

☐ A corporation,

☐ A limited liability company,

☐ A general partnership,

☐ A limited partnership

4 If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee (Check applicable box)

☐ Officer (insert title) _____

☐ General Partner _____

☐ Other (please explain) _____

5 Did Franchisee receive a Franchise Disclosure Document? ☐ Yes ☐ No

6 On what date was the Disclosure Document received, and by whom?

Recipient _____

Date _____

7 Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Area Development Agreement or Franchise Agreement, as applicable (collectively the **Agreements**) and the date that the final form of such Agreements were delivered to Franchisee

	<u>Agreement</u>	<u>Date Received</u>
☐	Area Development Agreement	_____
☐	Franchise Agreement	_____
☐	Guaranty	_____
☐	General Release	_____
☐	_____	_____

8 Name of salesperson(s) handling this sale for Company

9 Were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Company concerning the actual sales, profits or earnings of any franchised or company-owned Restaurant(s), or potential sales, profits or earnings that could be anticipated at any location, including a location within the Development Area? ☐ Yes ☐ No

If yes, please explain in detail (attach additional sheets if necessary) and if none, write 'none'

10 Did Franchisee carefully review and understand the Disclosure Document, the Area Development Agreement and Franchise Agreements as applicable, and the other Agreements? ☐ Yes ☐ No

If no, please explain

11 Did Franchisee ask Franchisor any questions concerning the Disclosure Document or Agreements that were not satisfactorily answered? ☐ Yes ☐ No

If yes, please explain

12 Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Disclosure Document?

☐ Yes ☐ No

If yes, please explain

13 Did any employee or other person on Franchisor's behalf make any statement or promise about Franchisor's affiliated companies other than the information contained in the Disclosure Document?

☐ Yes ☐ No

If yes, please explain

14 Did Franchisee contact other area developers and franchisees of Franchisor to discuss Franchisee's possible execution of the area development agreement or franchise agreement, as applicable? ☐ Yes ☐ No

15 If your answer to question 14 was yes, please identify such area developers or franchisees (attach extra sheets if necessary)

16 Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Area Development Agreement or Franchise Agreement, as applicable? ☐ Yes ☐ No

If yes, please insert the name, address and telephone number of such attorney

17 Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Area Development Agreement or Franchise Agreement, as applicable? ☐ Yes ☐ No

If yes, please insert the name, address and telephone number of such accountant or financial advisor

☐ Accountant _____

☐ Other (please describe) _____

18 Has Franchisee, directly or through one (1) or more affiliated business entities, previously constructed a La Salsa® Restaurant? ☐ Yes ☐ No, if 'yes', how many? _____

19 Has Franchisee, directly or through one (1) or more affiliated business entities, previously operated a La Salsa® Restaurant? ☐ Yes ☐ No, if 'yes', for how long? _____

20 If Franchisee has checked 'yes' to questions 18 and/or 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement or Area Development Agreement, as applicable, based on Franchisee's own knowledge of and experience with the System, and Franchisee's other Restaurant(s), and not in reliance upon any statements or information made or provided, or alleged to have been made or provided by Company, or its affiliates, or any of its or their officers, directors, agents, employees or representatives

AGREED _____
Franchisee's Initials

FRANCHISEE UNDERSTANDS THAT FRANCHISOR IS ACTING IN RELIANCE ON THE TRUTHFULNESS AND COMPLETENESS OF FRANCHISEE'S RESPONSES TO THE QUESTIONS ABOVE IN ENTERING INTO THE AREA DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT WITH FRANCHISEE. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE

FRANCHISEE

DATED _____

(Print name)

DATED _____

(Print name)

Individually, and on behalf of

EXHIBIT Q
LA SALSA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

LA SALSA FRANCHISE, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

LA SALSA FRANCHISE, LLC

CONTENTS

Independent Auditors' Report	1-2
-------------------------------------	------------

Financial Statements

Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6

Notes to Financial Statements	7-13
--------------------------------------	-------------



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Members of
La Salsa Franchise, LLC

Report on the Financial Statements

We have audited the accompanying balance sheets of La Salsa Franchise, LLC as of December 28, 2015 and December 29, 2014 and the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Salsa Franchise, LLC at December 28, 2015 and December 29, 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2014 financial statements have been restated for the correction of an error and to reflect certain reclassifications. Further, as discussed in Note 5, the Company's related party relationships are significant. Our opinion is not modified with respect to these matters.

Marcum LLP

Irvine, CA
July 7, 2016

LA SALSA FRANCHISE, LLC

BALANCE SHEETS

DECEMBER 28, 2015 AND DECEMBER 29, 2014

	December 28, 2015	December 29, 2014 (Note 2)
Assets		
Current Assets		
Cash	\$ 1,032,000	\$ 1,169,000
Royalties receivable, net of allowance of \$117,000 and \$189,000, respectively	<u>61,000</u>	<u>90,000</u>
Total Current Assets	1,093,000	1,259,000
Franchise Rights, Net of Accumulated Amortization of \$1,412,000 and \$1,348,000, respectively	<u>88,000</u>	<u>152,000</u>
Total Assets	<u>\$ 1,181,000</u>	<u>\$ 1,411,000</u>
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 18,000	\$ 35,000
Due to related party	<u>9,000</u>	<u>1,000</u>
Total Current Liabilities	27,000	36,000
Unearned Franchise and Development Fees	<u>--</u>	<u>10,000</u>
Total Liabilities	<u>27,000</u>	<u>46,000</u>
Member's Equity	13,629,000	12,698,000
Advances to Member	<u>(12,475,000)</u>	<u>(11,333,000)</u>
Net Member's Equity	<u>1,154,000</u>	<u>1,365,000</u>
Total Liabilities and Member's Equity	<u>\$ 1,181,000</u>	<u>\$ 1,411,000</u>

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

	December 28, 2015	December 29, 2014 (Note 2)
Revenues		
Royalty revenues	\$ 1,004,000	\$ 1,082,000
Franchise fees	<u>10,000</u>	<u>--</u>
Total Revenues	1,014,000	1,082,000
Selling, General and Administrative Expenses	60,000	42,000
Amortization of Franchise Rights	53,000	67,000
Write-off of Franchise Rights	11,000	--
Marketing Fund Contributions in Excess of Expenditures	<u>(48,000)</u>	<u>--</u>
Income Before Provision for Income Taxes	938,000	973,000
Provision for Income Taxes	<u>7,000</u>	<u>7,000</u>
Net Income	<u>\$ 931,000</u>	<u>\$ 966,000</u>

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

	Member's Equity	Advances to Member	Net Member's Equity
Balance at December 30, 2013 as Previously Presented	\$ 8,586,000	\$ (7,753,000)	\$ 833,000
Prior period adjustments for restatements	<u>3,146,000</u>	<u>(2,949,000)</u>	<u>197,000</u>
Balance at December 30, 2013 as Restated (Note 2)	11,732,000	(10,702,000)	1,030,000
Net income	966,000	--	966,000
Advances to member	<u>--</u>	<u>(631,000)</u>	<u>(631,000)</u>
Balance at December 29, 2014 as Restated (Note 2)	12,698,000	(11,333,000)	1,365,000
Net income	931,000	--	931,000
Advances to member	<u>--</u>	<u>(1,142,000)</u>	<u>(1,142,000)</u>
Balance at December 28, 2015	<u>\$ 13,629,000</u>	<u>\$(12,475,000)</u>	<u>\$ 1,154,000</u>

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

	December 28, 2015	December 29, 2014 (Note 2)
Cash Flows From Operating Activities		
Net income	\$ 931,000	\$ 966,000
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of franchise rights	53,000	67,000
Write-off of franchise rights	11,000	--
Changes in operating assets and liabilities		
Royalties receivable	29,000	(30,000)
Accounts payable and accrued liabilities	(17,000)	23,000
Unearned franchise and development fees	(10,000)	10,000
Due to related party	8,000	1,000
Total Adjustments	74,000	71,000
Net Cash Provided by Operating Activities	<u>1,005,000</u>	<u>1,037,000</u>
Cash Flows Used in Financing Activities		
Advances to member	<u>(1,142,000)</u>	<u>(631,000)</u>
Net (Decrease) Increase in Cash	(137,000)	406,000
Cash - Beginning	<u>1,169,000</u>	<u>763,000</u>
Cash - Ending	<u>\$ 1,032,000</u>	<u>\$ 1,169,000</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the years for		
Interest	\$ --	\$ --
Income taxes	\$ 7,000	\$ 7,000

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 1 - BUSINESS ACTIVITY

NATURE OF BUSINESS

La Salsa Franchise, LLC (the "Company") was formed on May 10, 2007 and began operations on July 17, 2007. The Company was initially a wholly-owned subsidiary of La Salsa, Inc. Subsequent to a debt and equity restructuring as of September 29, 2009, the Company was distributed to and became a wholly-owned subsidiary of BF Acquisition Holdings, LLC ("BF Acquisition" or "Corporate"). The Company is headquartered in Irvine, California. The Company sells franchise rights granting the right to own and operate La Salsa casual restaurants throughout the United States.

Restaurants in operation during the years ended December 28, 2015 and December 29, 2014 consisted of the following:

	Franchised Restaurants
Restaurants as of December 30, 2013	26
Restaurants closed	(3)
Restaurants as of December 29, 2014	23
Restaurants closed	(4)
Corporate restaurant transferred to a franchisee	(1)
Restaurants as of December 28, 2015	<u>18</u>

Franchise agreements have five to ten-year terms and in most cases can be renewed for additional multi-year terms, generally up to ten years. The Company has no employees or facility leases, and did not reimburse Corporate for any allocation of such expenses incurred by Corporate for the years ended December 28, 2015 and December 29, 2014 (Note 5).

BASIS OF PRESENTATION

Purchase accounting adjustments have been pushed down to the Company in connection with the debt and equity restructuring of BF Acquisition on May 15, 2009. This restructuring resulted in a significant change in ownership and has been accounted for as a purchase in accordance with ASC 805, *Business Combinations*, with intangible assets recorded in conformity with ASC 350, *Intangibles, Goodwill and Other*, requiring an allocation of the purchase price to the tangible and intangible net assets acquired based on their relative fair values as of the date of the restructuring. The allocation of the purchase price was based on management's judgment and valuation assessments of the Company's tangible and intangible assets determined with the assistance of an independent third-party appraiser.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 2 - RESTATEMENT FOR THE CORRECTION OF AN ERROR

During the preparation of the 2015 financial statements, the Company determined that marketing fund contributions received that exceeded marketing expenditures, which had previously been accumulated in accrued liabilities, should have been recognized in income in the period earned. Therefore, the Company has restated its previously issued 2014 financial statements to reflect the accumulated excess contributions over expenditures, of \$197,000 at December 30, 2013 as an increase in total member's equity. There was no effect on 2014 net income as previously presented as the net marketing fund activity in 2014 was not material.

Further, certain amounts from member's equity as of December 29, 2014 have been reclassified to advances to member to correspond to the amounts as presented for the year ended December 28, 2015, which had no effect on total member's equity. Certain amounts from selling, general and administrative expenses for the year ended December 29, 2014 have been reclassified to provision for income taxes to correspond to the amounts as presented for the year ended December 28, 2015. These reclassifications had no impact on previously reported net income for the year ended December 29, 2014.

The effects of the restatement and reclassifications on the Company's previously issued 2014 financial statements is summarized as follows:

Balance Sheet as of December 29, 2014

	Previously Reported	Increase (Decrease)	Restated
Accounts payable and accrued liabilities	\$ 233,000	\$ (198,000)	\$ 35,000
Due to related party	\$ --	\$ 1,000	\$ 1,000
Member's equity	\$ 9,552,000	\$ 3,146,000	\$ 12,698,000
Advances to Member	\$ (8,384,000)	\$ (2,949,000)	\$ (11,333,000)
Total liabilities and member's equity	\$ 1,411,000	\$ --	\$ 1,411,000

Statement of Cash Flows as of December 29, 2014

	Previously Reported	Increase (Decrease)	Restated
Changes in operating assets and liabilities			
Accounts payable and accrued liabilities	\$ 24,000	\$ (1,000)	\$ 23,000
Due to related party	\$ --	\$ 1,000	\$ 1,000

LA SALSA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FISCAL YEAR

The Company operates on a 52 or 53-week year and has adopted a year-end date of the Monday closest to December 31. The years ended December 28, 2015 and December 29, 2014 each consisted of 52 weeks.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Assessment of the impairment of franchise rights assets and collectability of royalties receivable are subject to significant estimates made by management.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, royalties receivable, and accrued liabilities. The carrying value of all financial instruments is representative of their fair values because of their short-term maturities.

CASH

The Company maintains its cash in bank depository accounts with major financial institutions. At times, cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes cash balances are not exposed to significant credit risk.

REVENUE RECOGNITION

The Company recognizes initial franchise fees as revenue when the franchise commences operations, at which time the Company has substantially performed its obligations related to the franchise agreement. Prior to such time, franchise fees collected are recorded as unearned franchise fees. Unearned franchise fees totaled \$0 and \$10,000 at December 28, 2015 and December 29, 2014, respectively.

Franchise royalties are based on a percentage of weekly restaurant sales by franchisees, and are recognized as revenue in the week of such franchise restaurant sales.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ROYALTIES RECEIVABLE

Royalties receivable represent royalties due from franchisees and expose the Company to risk to the extent that such amounts become uncollectible. The Company reviews such accounts periodically and provides an allowance for doubtful accounts as necessary, based on contractual terms and considering a franchisee's financial condition, credit history, and current economic conditions. Royalties receivable are written off against the allowance account when deemed uncollectible. Recoveries of royalties receivable previously written off are recorded as income when received. An allowance for uncollectibility of \$117,000 and \$189,000 are recorded at December 28, 2015 and December 29, 2014, respectively.

FRANCHISE RIGHTS

The May 15, 2009 debt and equity restructuring of BF Acquisition was accounted for as a purchase. As part of the purchase price allocation, franchise rights of \$1,500,000 were allocated to the 43 individual franchised restaurants then in operation based upon an independent valuation. Franchise rights are amortized on the straight-line basis over the remaining term of the franchise agreements. The weighted average remaining contractual life of all franchise agreements was approximately three years at December 28, 2015. When a franchise store closes before the related allocated franchise rights value has been fully amortized, the Company writes off the remaining unamortized franchise rights associated with the closed store in the year of closure.

In accordance with ASC 350, the Company annually reviews the franchise rights intangible asset balance to determine whether or not conditions have created a long-term impairment in value. Impairment is evaluated by comparing the carrying value of the asset with the estimated future net undiscounted cash flows expected to result from the use of the asset, including cash flows from disposition. Should the sum of the expected future net undiscounted cash flows be less than the asset's carrying value, the Company would recognize an impairment loss at that date for the amount by which the carrying amount of the asset exceeds its fair value. The Company did not recognize any impairment loss during the years ended December 28, 2015 and December 29, 2014.

ADVERTISING FUND

BF Acquisition administers a cooperative advertising fund on behalf of franchisees. Corporate-owned stores and franchisees are generally required to contribute 1% of their franchisee retail sales to the fund on a weekly basis, which is used to promote individual franchises, company owned stores and the La Salsa trademark on a local and regional basis. The Company reports advertising expenses net of contributions paid by the franchisees.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING FUND (CONTINUED)

Total contributions received, and advertising expenditures incurred, by the fund for the year ended December 28, 2015 amounted to \$272,000 and \$243,000, respectively. Total contributions received, and advertising expenditures incurred, by the fund for the year ended December 29, 2014 amounted to \$299,000 and \$280,000, respectively. The Company's policy is to not carry forward the net contributions received in excess of expenditures into future years and therefore, the net advertising contributions are recorded as income. Income from net contributions received in excess of expenditures for the years ended December 28, 2015 and December 29, 2014 amounted to \$48,000 and \$0, respectively. When advertising expenditures incurred exceed total contributions received, the Company's policy is to charge the net excess advertising expenditures to expense.

INCOME TAXES

The Company is a limited liability company taxed as a partnership. Under this structure, the Company does not pay federal income tax on its taxable income. Instead, the member accounts for the Company's items of income, deductions, losses, and credits on its income tax return. The Company is subject to California's annual limited liability company fee, which is based on total California annual revenues. The Company's federal income tax returns are subject to examination by taxing authorities for years after 2012. The Company's state income tax returns are subject to examination by taxing authorities for the years after 2011.

The Company applies the provisions of Accounting for Uncertainty in Income Taxes under ASC 740. Under ASC 740, the Company utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals, or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. There were no liabilities recorded for unrecognized tax benefits related to uncertain tax positions taken during the years ended December 28, 2015 and December 29, 2014. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

In accordance with ASC 740, the Company has elected to include interest and penalties related to its tax contingencies in income tax expense. There were no accruals for interest and penalties recognized for uncertain tax positions during the years ended December 28, 2015 and December 29, 2014.

BUSINESS CONCENTRATION

The Company's success is dependent on the ability of its franchises to generate revenues and pay royalties. As of December 28, 2015, the Company had royalty agreements in place with 18 franchises. As of December 29, 2014, the Company had royalty agreements in place with 23 franchises.

NOTE 4 - FRANCHISE RIGHTS

Franchise rights consisted of the following:

	December 28, 2015	December 29, 2014
Franchise rights	\$ 1,500,000	\$ 1,500,000
Less accumulated amortization	<u>(1,412,000)</u>	<u>(1,348,000)</u>
Franchise Rights, Net	<u>\$ 88,000</u>	<u>\$ 152,000</u>

For the year ended December 28, 2015, amortization expense was \$53,000 and the write-off of franchise rights due to store closures was \$11,000. For the year ended December 29, 2014, amortization expense was \$67,000 and there were no write-offs of franchise rights.

As of December 28, 2015, estimated amortization expense for future years is as follows:

For the Years Ending	Amount
2016	\$36,000
2017	24,000
2018	22,000
2019	<u>6,000</u>
Total	<u>\$88,000</u>

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 28, 2015 AND DECEMBER 29, 2014

NOTE 5 - RELATED PARTY TRANSACTIONS

Advances to member are made to the Company's single member, BF Acquisition, and represents excess cash not required for general operating purposes. For the years ended December 28, 2015 and December 29, 2014, the Company made payments to its member totaling \$1,142,000 and \$631,000, respectively. As of December 28, 2015 and December 29, 2014, accumulated advances to member totaled \$12,475,000 and \$11,333,000, respectively, which have been presented as a reduction of member's equity on the accompanying balance sheets.

The existence of such common ownership and management control could result in differences within the Company's operating results or financial position had the entities been autonomous.

The Company had payables to related parties of \$9,000 and \$1,000 as of December 28, 2015 and December 29, 2014, respectively, for amounts paid on the Company's behalf and are payable to the related parties.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be a party to legal proceedings incidental to its business. In the opinion of management, based upon discussions with legal counsel, there are no matters expected to have a material effect on the Company's financial position or results of operations.

NOTE 7 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through July 7, 2016, the date the financial statements were available to be issued, and no subsequent events requiring disclosure were identified.

LA SALSA FRANCHISE, LLC
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

LA SALSA FRANCHISE, LLC

CONTENTS

Independent Auditors' Report	1-2
-------------------------------------	------------

Financial Statements

Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6

Notes to Financial Statements	7-12
--------------------------------------	-------------



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Members of
Triune LLC

Report on the Financial Statements

We have audited the accompanying balance sheets of La Salsa Franchise, LLC as of December 29, 2014 and December 30, 2013 and the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Salsa Franchise, LLC at December 29, 2014 and December 30, 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Marcum LLP

Irvine, CA
March 26, 2015

LA SALSA FRANCHISE, LLC

BALANCE SHEETS

DECEMBER 29, 2014 AND DECEMBER 30, 2013

	December 29, 2014	December 30, 2013
Assets		
Current Assets		
Cash	\$ 1,169,000	\$ 763,000
Royalties receivable, net of allowance of \$189,000 and \$189,000	<u>90,000</u>	<u>60,000</u>
Total Current Assets	1,259,000	823,000
Franchise Rights, Net of Accumulated Amortization of \$1,348,000 and \$1,281,000	<u>152,000</u>	<u>219,000</u>
Total Assets	<u>\$ 1,411,000</u>	<u>\$ 1,042,000</u>
Liabilities and Member's Equity		
Current Liabilities		
Accrued liabilities	<u>\$ 233,000</u>	<u>\$ 209,000</u>
Unearned Franchise and Development Fees	<u>10,000</u>	<u>--</u>
Total Liabilities	<u>243,000</u>	<u>209,000</u>
Member's Equity	9,552,000	8,586,000
Advances to Member	<u>(8,384,000)</u>	<u>(7,753,000)</u>
Total Member's Equity	<u>1,168,000</u>	<u>833,000</u>
Total Liabilities and Member's Equity	<u>\$ 1,411,000</u>	<u>\$ 1,042,000</u>

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

	<u>December 29, 2014</u>	<u>December 30, 2013</u>
Revenues		
Royalty revenues	\$ 1,082,000	\$ 1,143,000
Franchise fees	<u>--</u>	<u>77,000</u>
Total Revenues	1,082,000	1,220,000
Selling, General and Administrative Expenses	49,000	52,000
Amortization of Franchise Rights	67,000	82,000
Write-off of Franchise Rights	<u>--</u>	<u>27,000</u>
Net Income	<u>\$ 966,000</u>	<u>\$ 1,059,000</u>

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

	December 29, 2014	December 30, 2013
Member's Equity - Beginning	\$ 833,000	\$ 355,000
Net income	966,000	1,059,000
Advances to member	<u>(631,000)</u>	<u>(581,000)</u>
Member's Equity - Ending	<u>\$ 1,168,000</u>	<u>\$ 833,000</u>

The accompanying notes are an integral part of these financial statements.

LA SALSA FRANCHISE, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

	December 29, 2014	December 30, 2013
Cash Flows From Operating Activities		
Net income	\$ 966,000	\$ 1,059,000
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for bad debts	--	(4,000)
Amortization of franchise rights	67,000	82,000
Write-off of franchise rights	--	27,000
Changes in operating assets and liabilities		
Royalties receivable	(30,000)	6,000
Accrued liabilities	24,000	12,000
Unearned franchise and development fees	10,000	(60,000)
Total Adjustments	71,000	63,000
Net Cash Provided by Operating Activities	1,037,000	1,122,000
Cash Flows Used in Financing Activities		
Advances to member	(631,000)	(581,000)
Net Increase in Cash	406,000	541,000
Cash - Beginning	763,000	222,000
Cash - Ending	\$ 1,169,000	\$ 763,000

Supplemental Disclosure of Cash Flow Information

Cash paid during the years for

Interest	\$ --	\$ --
Income taxes	\$ 7,000	\$ 13,000

The accompanying notes are an integral part of these financial statements

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 1 - BUSINESS ACTIVITY

NATURE OF BUSINESS

La Salsa Franchise, LLC (the "Company") was formed on May 10, 2007 and began operations on July 17, 2007. The Company was initially a wholly-owned subsidiary of La Salsa, Inc. Subsequent to a debt and equity restructuring as of September 29, 2009, the Company was distributed to and became a wholly owned subsidiary of BF Acquisition Holdings, LLC ("BF Acquisition" or "Corporate"). The Company is headquartered in Irvine, California. The Company sells franchise rights granting the right to own and operate La Salsa casual restaurants throughout the United States.

Restaurants in operation during the years ended December 29, 2014 and December 30, 2013 consisted of the following:

	Franchised Restaurants
Restaurants as of December 31, 2012	29
Restaurants closed	(3)
Restaurants as of December 30, 2013	26
Restaurants closed	(3)
Restaurants as of December 29, 2014	<u>23</u>

Franchise agreements have five to ten-year terms and in most cases can be renewed for additional multi-year terms, generally up to ten years. The Company has no employees or facility leases, but does reimburse BF Acquisition for an allocation of such expenses incurred by BF Acquisition (see Note 4).

BASIS OF PRESENTATION

Purchase accounting adjustments have been pushed down to the Company in connection with the debt and equity restructuring of BF Acquisition on May 15, 2009. This restructuring resulted in a significant change in ownership and has been accounted for as a purchase in accordance with ASC 805, *Business Combinations*, with intangible assets recorded in conformity with ASC 350, *Intangibles, Goodwill and Other*, requiring an allocation of the purchase price to the tangible and intangible net assets acquired based on their relative fair values as of the date of the restructuring. The allocation of the purchase price was based on management's judgment and valuation assessments of the Company's tangible and intangible assets determined with the assistance of an independent third-party appraiser.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company operates on a 52 or 53-week year and has adopted a year-end date of the Monday closest to December 31. The years ended December 29, 2014 and December 30, 2013 each consisted of 52 weeks.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Assessment of the impairment of franchise rights assets and collectability of royalties receivable are subject to significant estimates made by management.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, royalties receivable, and accrued liabilities. The carrying value of all financial instruments is representative of their fair values because of their short-term maturities.

CASH

The Company maintains its cash in bank depository accounts with major financial institutions. At times, cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes cash balances are not exposed to significant credit risk.

REVENUE RECOGNITION

The Company recognizes initial franchise fees as revenue when the franchise commences operations, at which time the Company has substantially performed its obligations related to the franchise agreement. Prior to such time, franchise fees collected are recorded as deferred revenue.

Franchise royalties are based on a percentage of weekly restaurant sales by franchisees, and are recognized as revenue in the week of such franchise restaurant sales.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ROYALTIES RECEIVABLE

Royalties receivable represent royalties due from franchisees and expose the Company to risk to the extent that such amounts become uncollectible. The Company reviews such accounts periodically and provides an allowance for doubtful accounts as necessary, based on contractual terms and considering a franchisee's financial condition, credit history, and current economic conditions. Royalties receivable are written off against the allowance account when deemed uncollectible. Recoveries of royalties receivable previously written off are recorded as income when received.

FRANCHISE RIGHTS

As discussed more fully in Note 1, a debt and equity restructuring of BF Acquisition was accounted for as a purchase as of May 15, 2009. As part of the purchase price allocation, franchise rights of \$1,500,000 were allocated to the 43 individual franchised restaurants then in operation based upon an independent valuation. Franchise rights are amortized on the straight-line basis over the remaining term of the franchise agreements. The weighted average remaining contractual life of all franchise agreements was approximately two years at December 29, 2014. When a franchise store closes before the related allocated franchise rights value has been fully amortized, the Company writes off the remaining unamortized franchise rights associated with the closed store in the year of closure.

In accordance with ASC 350, the Company annually reviews the franchise rights intangible asset balance to determine whether or not conditions have created a long-term impairment in value. Impairment is evaluated by comparing the carrying value of the asset with the estimated future net undiscounted cash flows expected to result from the use of the asset, including cash flows from disposition. Should the sum of the expected future net undiscounted cash flows be less than the asset's carrying value, the Company would recognize an impairment loss at that date for the amount by which the carrying amount of the asset exceeds its fair value. The Company did not recognize any impairment loss during the years ended December 29, 2014 and December 30, 2013.

ADVERTISING FUND

BF Acquisition administers a cooperative advertising fund on behalf of its franchisees. Corporate-owned stores and franchisees are generally required to contribute 1% of their franchise retail sales to the fund on a weekly basis, which is used to promote individual franchises, company owned stores and the La Salsa trademark on a local and regional basis. The Company reports advertising expenses net of contributions paid by the franchisees.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING FUND (CONTINUED)

Total contributions received, and advertising expenditures incurred, by the fund for the year ended December 29, 2014 amounted to \$299,000 and \$280,000, respectively. Total contributions received, and advertising expenditures incurred, by the fund for the year ended December 30, 2013 amounted to \$301,000 and \$280,000, respectively. As of December 29, 2014, there was \$217,000 recorded in accrued liabilities related to contributions received in excess of expenditures. As of December 30, 2013, there was \$197,000 recorded in accrued liabilities related to contributions received in excess of expenditures.

INCOME TAXES

The Company is a limited liability corporation taxed as a partnership. Under this structure, the Company does not pay federal income tax on its taxable income. Instead, the member accounts for the Company's items of income, deductions, losses, and credits on its income tax return. The Company is subject to California's annual limited liability company fee, which is based on total California annual income. The Company's federal income tax returns are subject to examination by taxing authorities for years after 2010. The Company's state income tax returns are subject to examination by taxing authorities for the years after 2009.

The Company applies the provisions of Accounting for Uncertainty in Income Taxes under ASC 740. Under ASC 740, the Company utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals, or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. There were no liabilities recorded for unrecognized tax benefits related to uncertain tax positions taken during the years ended December 29, 2014 and December 30, 2013. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

In accordance with ASC 740, the Company has elected to include interest and penalties related to its tax contingencies in income tax expense. There were no accruals for interest and penalties recognized for uncertain tax positions during the years ended December 29, 2014 and December 30, 2013.

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS CONCENTRATION

The Company's success is dependent on the ability of its franchises to generate revenues and pay royalties. As of December 29, 2014, the Company had royalty agreements in place with 23 franchises. As of December 30, 2013, the Company had royalty agreements in place with 26 franchises.

NOTE 3 - FRANCHISE RIGHTS

Franchise rights consisted of the following:

	December 29, 2014	December 30, 2013
Franchise rights	\$ 1,500,000	\$ 1,500,000
Less accumulated amortization	<u>(1,348,000)</u>	<u>(1,281,000)</u>
Franchise Rights, Net	<u>\$ 152,000</u>	<u>\$ 219,000</u>

For the year ended December 29, 2014, amortization expense was \$67,000. For the year ended December 30, 2013, amortization expense was \$82,000 and the write-off of franchise rights due to store closures was \$27,000.

As of December 29, 2014, estimated amortization expense for future years is as follows:

For the Years Ending	Amount
2015	\$ 57,000
2016	42,000
2017	25,000
2018	22,000
2019	<u>6,000</u>
Total	<u>\$152,000</u>

LA SALSA FRANCHISE, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 29, 2014 AND DECEMBER 30, 2013

NOTE 4 - RELATED PARTY TRANSACTIONS

Advances to member are made to the Company's single member, BF Acquisition, and represents excess cash not required for general operating purposes. For the years ended December 29, 2014 and December 30, 2013, the Company made payments to its member totaling \$631,000 and \$581,000, respectively. The existence of such common ownership and management control could result in differences within the Company's operating results or financial position had the entities been autonomous.

As of December 29, 2014 and December 30, 2013, accumulated advances to member totaled \$8,384,000 and \$7,753,000, respectively, which have been presented as a reduction of member's equity on the accompanying balance sheets.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be a party to legal proceedings incidental to its business. In the opinion of management, based upon discussions with legal counsel, there are no matters expected to have a material effect on the Company's financial position or results of operations.

NOTE 6 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 26, 2015, the date the financial statements were available to be issued, and no subsequent events requiring disclosure were identified.

EXHIBIT R

LA SALSA FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT

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

If La Salsa Franchise, LLC offers you a franchise, La Salsa Franchise, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale, whichever comes first.

Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If La Salsa Franchise, 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D C 20580 and the appropriate State Agency Identified on Exhibit M. The franchisor is La Salsa Franchise, LLC, 320 Commerce, Suite 100, Irvine, California 92602.

Issuance Date July 13, 2016, as amended on September 19, 2016

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Alan F. Gallup, National Franchise Sales, 1601 Dove St., Suite #150, Newport Beach, CA 92660, (949) 428-0480 x103, Charles Rink, Robert Gonda, Perry Roshan-Zamir and Thuy Nguyen, 320 Commerce, Suite 100, Irvine, California 92602 (949) 270-8900.

We authorize the persons and/or entities listed on Exhibit N to receive service of process for us.

I have received a Disclosure Document dated July 13, 2016, as amended on September 19, 2016.

This Disclosure Document includes the following Exhibits:

Exhibit A	Initial Training Agreement
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Asset Purchase Agreement
Exhibit E	Express Restaurant Franchise Agreement
Exhibit F	Non-Disclosure Agreement for Employees
Exhibit G	Confidentiality Agreement for Prospective Franchisees
Exhibit H	General Release
Exhibit I	Guarantees
Exhibit J	Catering Addendum to Franchise Agreement
Exhibit K	Addendum to Franchise Agreement for Purchase of Operating Restaurant
Exhibit L	Option to Obtain Lease Assignment
Exhibit N	List of Franchisees
Exhibit N	Lists of State Administrators and Agents for Service of Process
Exhibit O	State Specific Addenda
Exhibit P	Closing Questionnaire
Exhibit Q	Financial Statements
Exhibit R	Receipt

Date

Franchisee

Please sign this copy of the Receipt, date your signature, and return it to Thuy Nguyen, 320 Commerce Suite 100, Irvine, California 92602.

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If La Salsa Franchise, LLC offers you a franchise, La Salsa Franchise, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale, whichever comes first.

Michigan and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If La Salsa Franchise, 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D C 20580 and the appropriate State Agency Identified on Exhibit M. The franchisor is La Salsa Franchise, LLC, 320 Commerce, Suite 100, Irvine, California 92602.

Issuance Date July 13, 2016 as amended on September 19, 2016

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Alan F. Gallup, National Franchise Sales, 1601 Dove St., Suite #150, Newport Beach, CA 92660, (949) 428-0480 x103, Charles Rink, Robert Gonda, Perry Roshan-Zamir, and Thuy Nguyen, 320 Commerce, Suite 100, Irvine, California 92602 (949) 270-8900.

We authorize the persons and/or entities listed on Exhibit N to receive service of process for us.

I have received a Disclosure Document dated July 13, 2016, as amended on September 19, 2016.

This Disclosure Document includes the following Exhibits:

Exhibit A	Initial Training Agreement
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Asset Purchase Agreement
Exhibit E	Express Restaurant Franchise Agreement
Exhibit F	Non-Disclosure Agreement for Employees
Exhibit G	Confidentiality Agreement for Prospective Franchisees
Exhibit H	General Release
Exhibit I	Guarantees
Exhibit J	Catering Addendum to Franchise Agreement
Exhibit K	Addendum to Franchise Agreement for Purchase of Operating Restaurant
Exhibit L	Option to Obtain Lease Assignment
Exhibit M	List of Franchisees
Exhibit N	Lists of State Administrators and Agents for Service of Process
Exhibit O	State Specific Addenda
Exhibit P	Closing Questionnaire
Exhibit Q	Financial Statements
Exhibit R	Receipt

Date

Franchisee

Keep this copy for your records. This disclosure document may be available in several formats including on paper or on a CD, in pdf format or on our website www.lasalsa.com.