FRANCHISE DISCLOSURE DOCUMENT

Home-Grown Industries of Georgia, Inc.
A Georgia corporation
150 Great Southwest Parkway
Atlanta, Georgia 30336
(404) 505-2806
www.mellowmushroom.com
sandy@mellowmushroom.com
Facebook.com/MellowMushroomHQ
Twitter.com/Mellow Mushroom

The franchise offered is to operate a Mellow Mushroom® restaurant—in either the "traditional" full-service restaurant format or the "fast-fine" fast-casual restaurant format—which features pizza and sells other food products, beverages, clothing, souvenirs, and novelty items.

The total investment necessary to begin operation of a Mellow Mushroom® restaurant franchise ranges from $1,330,000 to $2,061,000 if you lease shell premises for a fast-fine Restaurant, from $1,685,000 to $2,916,500 if you lease shell premises for a traditional Restaurant, from $1,685,000 to $2,916,500 if you lease premises for a traditional Restaurant that must be retrofit, and from $2,901,000 to $4,841,500 if you buy the real estate upon which you will construct a new building for a traditional Restaurant. This includes from $50,000 to $62,000 that must be paid to the franchisor or affiliate. If you want development rights (a minimum of 2 Restaurants), you must pay us a development fee equal to $50,000 (the initial franchise fee for the first Restaurant) plus a $25,000 deposit for each additional Restaurant's initial franchise fee. The total investment necessary to begin operation if you acquire development rights (for a minimum of 2 Restaurants) is $1,355,000 to $4,866,500 (depending on which restaurant format you choose and your real estate decision). This includes from $75,000 to $87,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sandy Howard at Home-Grown Industries of Georgia, Inc., 150 Great Southwest Parkway, Atlanta, Georgia 30336, (404) 924-2267.

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

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

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

Issuance date of this Franchise Disclosure Document: February 14, 2025, as amended September 29, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Georgia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Georgia than in your own state.

2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

3. **Inventory/Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

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

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

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

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

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

(1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 335-7567

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

"We," "us," or "our" means Home-Grown Industries of Georgia, Inc. d/b/a Mellow Mushroom, the franchisor. "You" means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, your owners must sign our "Guaranty and Assumption of Obligations," meaning all provisions of our Franchise Agreement (Exhibit B) also will apply to your owners. (See Item 15)

We incorporated in Georgia in 1975. Our principal business address is 150 Great Southwest Parkway, Atlanta, Georgia 30336. If we have an agent in your state for service of process, we disclose that agent in Exhibit D. We operate under our corporate name, the trademark "Mellow Mushroom," and the other trademarks, service marks, and commercial symbols described in Item 13 (collectively, the "Marks") and no other name. We currently have no parent company or predecessors disclosable in this Item.

We grant franchises for restaurants operating under the "Mellow Mushroom" name and other Marks. Mellow Mushroom restaurants feature pizza and sell other food and beverage products and services on-premises or "to go" or for delivery.

Mellow Mushroom restaurants operate under two different formats: the "traditional" full-service restaurant format that has been our standard prototype since our inception and, as of November 2024, the "fast-fine" fast-casual restaurant format. The traditional full-service restaurant format features table service with waitstaff, a full bar, and a wide variety of food, liquor, beer, and wine. Guests are seated and served by staff, with a focus on experiential dining, more menu options, and a comprehensive beverage selection. In our new fast-fine fast-casual restaurant format, customers order at the counter and are not seated by a server. This format offers a more streamlined experience with a limited menu of food, liquor, beer, and wine options. It is designed for quicker service and a more casual dining experience while still maintaining the Mellow Mushroom brand's signature quality and style. In this disclosure document, we call both Restaurant formats "Mellow Mushroom restaurants" and your proposed restaurant the "Restaurant." Except when necessary given the context, this disclosure document does not distinguish between the "traditional" full-service restaurant format and the "fast-fine" fast-casual restaurant format.

If you acquire a franchise, you must operate your Restaurant according to our business formats, methods, procedures, designs, layouts, standards, and specifications. Your Restaurant must offer the products and services we specify.

We also grant multi-unit development rights to qualified franchisees, who then may develop a number of Mellow Mushroom restaurants within a defined area according to a pre-determined development schedule. These franchisees may open and operate their Mellow Mushroom restaurants directly or through controlled affiliates. Our Development Rights Rider to Franchise Agreement is Exhibit J. Franchisees signing our Development Rights Rider must sign our then-current form of Franchise Agreement for each additional Mellow Mushroom restaurant they develop. That form may differ from the form of Franchise Agreement included in this disclosure document.

We have offered Mellow Mushroom restaurant franchises since approximately May 1987 and have operated these restaurants periodically (directly or through subsidiaries) since July 1974. (See Item 20 for company-owned restaurants during our last 3 fiscal years.) We also are a designated or approved supplier of certain products you will use in operating your Restaurant. We do not have other business activities and have not offered franchises in other lines of business.

Our wholly-owned subsidiary, Red Bud Manufacturing, LLC ("Red Bud"), whose principal business address is the same as ours, is the sole manufacturer/supplier of certain proprietary products you must use in operating your Restaurant. Red Bud has never operated a Mellow Mushroom restaurant or offered franchises in any line of business.

If you are renewing your franchise because its current term is about to expire, you will sign our Successor Franchise Rider to Franchise Agreement (Exhibit H) together with our current form of Franchise Agreement. The Successor Franchise Rider modifies certain provisions in our standard Franchise Agreement that do not apply to you because your Restaurant already is open.

You will compete with full-service restaurants, fast-food restaurants, grocery and specialty stores, on-line food providers and delivery services, and other businesses selling pizza and other similar or competitive items. Some of these businesses are part of national or regional franchised and non-franchised chains. You will sell your products and services to the general public throughout the year. The restaurant industry is extremely competitive, and most markets have many pizza restaurants from which consumers may choose. However, we believe our product quality and restaurant atmosphere distinguish us from the competition.

There are no regulations specific to the industry in which Mellow Mushroom restaurants operate, although you must comply with all local, state, and federal health and sanitation laws applicable to food operations (including food-preparation and menu-labeling requirements) and laws generally applicable to all businesses. In order to sell alcoholic beverages, which we generally require, your Restaurant must obtain a liquor license or other authorization from the appropriate government authority and comply with all federal, state, and local alcoholic-beverage laws. You should investigate all of these laws.

ITEM 2
BUSINESS EXPERIENCE

President, Chief Executive Officer, and Director: Richard A. Brasch

Mr. Brasch has been our President since December 2010, our Chief Executive Officer since May 2007, and one of our Directors since January 2002. He joined us in November 1999.

Founder and Chairman of the Board: Marc E. Weinstein

Mr. Weinstein, who co-founded our system, has been our Chairman of the Board since May 2007 and a Director since 1975. He was our President from May 2007 until December

2010, Secretary and Treasurer from 1975 until January 1990, and Vice President from January 1990 until May 2007.

Chief Financial Officer: Michael T. Clock

Mr. Clock has been our Chief Financial Officer since July 2023. He was the Chief Financial Officer for Drive Automotive Services, Inc. in Kennesaw, Georgia from October 2022 until July 2023 and President of Newk's Eatery in Jackson, Mississippi from July 2016 until May 2022. He was in between positions from May 2022 until October 2022.

Senior Vice President and Secretary: Charles Kevin Bridges

Mr. Bridges has been our Senior Vice President and Secretary since May 2010. He was our Chief Financial Officer from May 2007 until April 2010 and our Director of Accounting from 2000 until April 2007.

Executive Vice President, Marketing: Elizabeth Brasch

Ms. Brasch has been our Executive Vice President, Marketing since December 2024. She was our Senior Director of Brand from October 2022 through November 2024 and our Director of Creative Services from June 2018 to October 2022.

Executive Vice President, Strategy & Transformation: Ahsan Jiva

Mr. Jiva has been our Executive Vice President, Strategy & Transformation since October 2024. He was our Head of Strategy from October 2023 through September 2024, Senior Director, Digital & Strategy from October 2021 through September 2023, and Director, Digital & Analytics from September 2019 through September 2021.

Vice President, Franchise Development: Jamie Cecil

Mr. Cecil has been our Vice President, Franchise Development since May 2025. He was Director of Franchise Sales for Marco's Pizza, located in Toledo, Ohio, from April 2024 to May 2025, Vice President, Franchise Development and Operations for Tijuana Flats, located in Maitland, Florida, from April 2023 to April 2024, and Vice President, Franchise Development for FSC Franchise Co., located in Tampa, Florida, from December 2014 to March 2023.

Vice President of Operations: Peter J. Jurta

Mr. Jurta has been our Vice President of Operations since November 2024 and was our Senior Director of Operations from November 2023 until November 2024. He was Senior Vice President of Operations of Rita's Franchise Company, located in Trevose, Pennsylvania, from September 2019 through November 2023.

Director of Operations: Kimberly Dockter Bolinger

Ms. Bolinger has been our Director of Operations since March 2023. She was Regional Director of Operations for Simply Southern Restaurant Group d/b/a Chicken Salad Chick, located in Atlanta, Georgia, from August 2020 to March 2023 and Regional Director of Operations for Red Robin, located in Denver, Colorado, from November 2017 to August 2020.

Director of Operations: Jeff Blaze

Mr. Blaze has been our Director of Operations since April 2024. He was Director of Operations for Villa Restaurant Group, located in Morristown, New Jersey, from November 1995 through April 2024.

Director of Operations Services: Kevin A. Sugarman

Mr. Sugarman has been our Director of Operations Services since September 2019. He was our Director of Training from October 2015 to September 2019 and a Senior Business Coach for us from October 2011 to September 2015.

Director of Training: Peter D. Baquet

Mr. Baquet has been our Director of Training since August 2019. He was our Assistant Director of Training from June 2017 to August 2019, a Senior Field Coach for us from June 2015 to June 2017, and a Field Coach for us from June 2013 to June 2015.

Associate Director of Art & Design: Emily Duvoisin

Ms. Duvoisin has been our Associate Director of Art & Design since April 2023, having been our Senior Art & Design Manager from August 2019 to March 2023.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

We currently charge a $50,000 initial franchise fee. You must pay this fee in a lump sum when you sign the Franchise Agreement. It is not refundable.

If we loan you statues or other items from our warehouse as part of your required art package and they need special handling or fabrication to suit your Restaurant, we may charge you a fabrication or similar fee ranging in cost from $0 to $10,000. This payment is not refundable.

If you sign our Development Rights Rider because you commit to develop a minimum number of Mellow Mushroom restaurants in an area (a minimum of 2), we currently charge a development fee that you must pay in full when you sign the Development Rights Rider. If you sign the Development Rights Rider together with a new Franchise Agreement for a new Restaurant (whether you are a new or an existing franchisee), the development fee due equals the full $50,000 initial franchise fee for the Restaurant covered by that Franchise Agreement plus a $25,000 deposit for each additional Restaurant you commit to develop. If you sign the Development Rights Rider to attach to an existing Franchise Agreement (that is, you are an existing franchisee) and do not concurrently sign a new Franchise Agreement for a new Restaurant, the development fee due is $25,000 for each Restaurant you commit to develop. In both situations, you must pay the rest of the initial franchise fee (that is, $25,000) for each Restaurant when you sign the Franchise Agreement for that Restaurant. We and you will determine the number of Restaurants you must develop, the deadlines for developing them, and the applicable development fee before signing the Development Rights Rider.

The development fee is not refundable under any circumstances. If you sign the Development Rights Rider, pay the development fee, and then cannot find sites for Mellow Mushroom restaurants or choose for another reason not to perform (and the Development Rights Rider is terminated), we may keep the entire development fee and need not return any money to you.

We currently charge up to $2,000 for each person to attend our Area Manager training program. (Item 11 describes when you must hire an Area Manager.) This payment is not refundable.

ITEM 6
OTHER FEES

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	5% of Restaurant's Weekly Gross Sales	Due by Friday of each week on Weekly Gross Sales during week ending on preceding Sunday	"Weekly Gross Sales" means all revenue you receive from operating Restaurant; they do not include taxes collected from customers or customer refunds and rebates (and are net of promotions and comps). However, Weekly Gross Sales will not be reduced by the amount paid to, collected by, or shared with third-party

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			food ordering and delivery systems with which we allow your Restaurant to do business. For purposes of calculating Weekly Gross Sales, all such transactions will be valued at the full retail price charged by the Restaurant. We may change the day on which the calendar week is deemed to close and/or the day of the week on which payment is due. If your Restaurant opens for business less than 18 months after the Franchise Agreement's effective date, you need not begin paying the Royalty Fee until the Weekly Gross Sales generated during the first week following that 18-month timeframe. (This deferral does not apply if the Franchise Agreement is signed in connection with the renewal or transfer of the franchise for the Restaurant.)
Brand Development Fund	Currently 2% of Restaurant's Weekly Gross Sales 3% of Restaurant's Weekly Gross Sales beginning January 1, 2026	Due by Friday of each week on Weekly Gross Sales during week ending on preceding Sunday	We may increase Brand Fund contribution to 5% of Restaurant's Weekly Gross Sales if we concurrently and proportionally reduce your required local advertising spend. We may not require you to spend a total of more than 5% of the Restaurant's Weekly Gross Sales on all advertising-related activities. Item 11 has detailed discussion of Brand Development Fund and your other advertising obligations; we may change the day on which the calendar week is deemed to close and/or the day of the week on which payment is due.

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Advertising Cooperative	Determined by vote of Cooperative members[2]	Determined by vote of Cooperative members	We may not require you to spend a total of more than 5% of the Restaurant's Weekly Gross Sales on all advertising-related activities, including Brand Fund contributions and local advertising. Item 11 has important information regarding advertising cooperatives.
Additional Training or Assistance	$1,000 per person (plus expenses)	When billed (typically before services provided)	We train your Managing Owner and up to 2 managers/assistant managers (including the potential "Qualified GM") for free (see Item 11) – we may charge you for training newly-hired personnel; for periodic refresher training courses; and for additional or special guidance, assistance, or training you need or request.
Area Manager Training	We may charge up to $2,000 for each person	When training begins	Item 11 discusses required Area Manager training.
Transfer Fee (when there is transfer of Franchise Agreement or controlling ownership interest in you or in an entity owning controlling ownership interest in you)	$10,000	When you request transfer	Either you or the transferee must pay this transfer fee. If the transfer does not occur, we will refund $5,000.
Transfer Fee (when there is transfer of non-controlling ownership interest in you or your owners)	$2,000	Before transfer completed	

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Successor Franchise	$10,000	When you sign successor franchise agreement (if you have that right)	We may choose not to charge you this fee if you commit to complete all Restaurant remodeling and upgrading we require as a condition of the successor franchise.
Franchise System Website	Up to $100 per month	As incurred	The Brand Fund (see Item 11) may pay for creating, developing, maintaining, and operating a Franchise System Website and/or related strategies, including electronic media; we may require you to pay a separate fee if (or to extent) the Brand Fund does not cover these costs.
Audit	Reimbursement of costs of inspection or audit (which depends on extent of your non-compliance and cooperation with us)	15 days after billing	Due if you understate Restaurant's Weekly Gross Sales by more than 2%.
Late Fee	$200	May be auto-debited from your account	Due for each late or dishonored payment.
Interest	Lesser of 1.5% per month or highest commercial-contract interest rate law allows	May be auto-debited from your account	Due on all overdue amounts more than 7 days late.
Non-Compliance Fee	$250 to $1,000 per deviation from standards, specifications, or operating procedures	When billed	Due if you deviate from contractual requirement, including standards, specifications, or operating procedures. This compensates us for administrative and management costs, not for our damages due to your default. The fee is $250 for the first violation, $500 for the first repeat violation, and $1,000 for the second and each subsequent repeat violation on one or more consecutive, subsequent visits to Restaurant.

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Service Charge	10% of all understated fees	When billed	
Product and Service Purchases	See Item 8	See Item 8	You must buy certain products and services from us or our affiliates, from designated or approved distributors and suppliers, or according to our standards and specifications; Red Bud will charge wholesale prices for proprietary products purchased from it.
Pass-Through Payment of Digital Convenience Fees Collected from Customers	We currently charge customers $0.30 for each on-line order We have the right to increase this direct charge to customers	Due by Friday of each week	We currently charge customers a digital convenience fee directly for each online order they place. We add that fee to the price of the online order for which the customer pays our franchisees. You will collect the digital convenience fee from the customer when it pays for its order and then forward the fee to us on a pass-through basis when you pay us your weekly Royalty. You do not pay us any Royalty, Brand Development Fund contribution, or other amount on the digital convenience fee. You will simply collect that fee from customers for us.
Payments for Amounts Due to Third-Party Vendors	Depends on amounts charged by third-party vendors	Monthly or as otherwise required by third-party vendor	We expect to negotiate (from time to time) single-payer agreements with third-party vendors of various services and products (to achieve greater discounts and/or economies of scale for franchisees) where the third-party vendors will require us to sign the particular supply/service agreement and to be directly responsible for paying for the services or products. In that case, we will collect the applicable amounts from our franchisees on a pro rata basis to reimburse us for the payments we must make to the vendors on the franchisees' behalf. We do not upcharge those amounts.

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Additional Layout Plans Upon a Change in Restaurant's Location	Reimbursement amount will vary under circumstances based on project's scope	As incurred	You must pay our costs and expenses to provide layout plans for a new Restaurant site.
Trade Accounts/ Taxes	Reimbursement amount will vary under circumstances based on your indebtedness	As incurred	You must reimburse us if we pay any of your bills or taxes.
Repairs	Reimbursement amount will vary under circumstances based on your Restaurant's condition	As incurred	You must reimburse us if we repair Restaurant for you.
Insurance	Reimbursement amount will vary under circumstances depending on extent of your non-compliance	As incurred	You must reimburse us if we pay for your insurance coverage.
Management	$400 per day (plus expenses)	As incurred	Due if we operate Restaurant upon Managing Owner's death or disability or after your default or abandonment.
Re-inspection Fee	$2,500	As incurred	Due for each follow-up Restaurant inspection to confirm you have corrected operating deficiencies we brought to your attention during first inspection.
Costs and Attorneys' Fees	Reimbursement amount will vary under circumstances depending on your non-compliance	As incurred	Due when you do not comply with the Franchise Agreement.

Column 1 Type of fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Indemnification	Reimbursement amount will vary under circumstances depending on nature of claim	As incurred	You must reimburse us if we are held liable for claims from your Restaurant's operation or incur costs to defend them.
Testing	Actual costs of testing, which depend on what is being tested	When billed	This covers costs of testing new products or inspecting new suppliers you propose.
Cost of Appraisal Upon Transfer	Actual costs of appraisal	When billed	We may require an appraisal of your Restaurant's value to help us evaluate terms of your proposed transfer. You must pay all third-party costs associated with any appraisal.
Technology System Support, Software, and Upgrades	Up to $700 per month (depending on number of users and locations)	As incurred	We and our affiliates may charge you up-front and recurring (*e.g.*, weekly, monthly, or other) fees for proprietary software or technology licensed to you and technology support or program services. We may increase pass-through third-party costs (without mark-up) to the extent the third party increases its charges to us.
Tax Reimbursement	Out-of-pocket reimbursement	As incurred	You must reimburse us for taxes we pay to a state taxing authority due to your operations or payments to us (except for our own income taxes).

1/ Except as noted above and in Item 8 for certain product and service purchases, all fees are imposed and collected by and payable to us. Except as noted above, no fee is refundable. All fees currently are uniformly imposed. You must pay the Weekly Royalty Fee and other amounts due under the Franchise Agreement by automatic debit or other electronic means and sign all documents (and take any other action) we require to implement this payment system.

If you do not report the Restaurant's Weekly Gross Sales, we may debit your account for 120% of the last Weekly Royalty Fee and Weekly Brand Fund Fee we debited (together with the late fee and interest). If the amounts we debit are less than the amounts you actually owe us, we will debit your account for the balance on the day we specify. If the amounts we debit exceed the amounts you actually owe us, we will credit the excess against the amounts due the following week.

2/ There currently are no advertising cooperatives in our system. If an advertising cooperative forms and we then operate a Mellow Mushroom restaurant in its market area, we may participate in that cooperative and vote on cooperative fees. We will have one vote, just like franchisees. A two-thirds vote of cooperative members determines the required cooperative contribution. You must spend the minimum amounts we periodically require to advertise and promote your Restaurant locally. (The current minimum required amount is 1% of the Restaurant's Weekly Gross Sales.) Monies you spend through an advertising cooperative will count toward this amount. We may not require you to spend a total of more than 5% of the Restaurant's Weekly Gross Sales on all advertising-related activities, including Brand Fund contributions and local advertising. From time to time during the franchise term, we may adjust (i.e., increase or decrease) the percentages of the Restaurant's Weekly Gross Sales you must spend in the required categories of advertising (that is, Brand Fund and/or local) as long as the total remains within the 5% cap.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FOR SHELL PREMISES PROVIDED BY LANDLORD UNDER A LEASE FOR A "FAST-FINE" FAST-CASUAL RESTAURANT FORMAT*

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	$50,000	Lump Sum	On signing Franchise Agreement (and, if applicable, Development Rights Rider)	Us
Art Package (2)	$22,000 - $30,000	Lump Sum	As incurred	Artist(s)
Architectural Fee (2)	$25,000 - $40,000	Lump Sum	After selection of site	Architect
One Month's Rent (3)	$10,000 - $21,500	Lump Sum	Monthly	Landlord

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Security Deposit (3)	$10,000 - $21,500	Lump Sum	On signing lease or sublease	Landlord
Equipment (4)	$250,000 - $300,000	As Agreed	As Incurred	Outside Suppliers
Leasehold Improvements (5)	$675,000 - $1,100,000	As Agreed	As Incurred	Outside Suppliers
Signage	$12,000 - $30,000	As Agreed	As Incurred	Outside Suppliers
Opening Inventory (6)	$35,000 - $50,000	Lump Sum	Before Opening	Outside Suppliers
Small Wares	$16,000 - $25,000	As Agreed	Before Opening	Outside Suppliers
Pre-Opening Labor and Training Expenses (7)	$60,000 - $80,000	As Incurred	As Incurred	Third Parties
Insurance (8)	$5,000 -$8,000	As Incurred	As Incurred	Insurance Carriers and Agents
Furniture (9)	$40,000 - $60,000	As Agreed	Before Opening	Outside Suppliers
POS System and other Back-Office Technology System (10)	$5,000 -$50,000	As Incurred	As Incurred	Third Parties
Audio-Visual Equipment	$20,000 - $40,000	As Incurred	As Incurred	Third Parties
Miscellaneous Opening Costs (11)	$10,000 - $15,000	As Incurred	As Incurred	Third Parties
Double-Stack Hot Rocks Oven with Install (12)	$60,000 - $70,000	As Agreed	Paid in Full Before Opening	Third Parties
Additional Funds - 3 months (13)	$25,000 - $60,000	As Incurred	As Incurred	Third Parties

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Total Estimated Initial Investment (including real estate lease costs for 1 month) (14)	$1,330,000 - $2,061,000			

Except for the security deposit paid under the lease, no expenditure in the table above is refundable.

*The amounts listed above reflect the build-out of a 2,800 to 3,500 square foot Mellow Mushroom restaurant based on our design criteria and using average cost analysis from RS Means. The amounts could differ if construction design exceeds our set criteria or construction materials and labor used in geographic regions differ from the average cost set forth by RS Means. ("RS Means" is a commonly-used resource in the construction industry that generates costs on any project big or small and incorporates a multiplier based on the region of the country in which the project is being completed.)

Explanatory Notes

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the Development Rights Rider, although you of course must build the first Mellow Mushroom restaurant at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation if you commit to develop a minimum of 2 Mellow Mushroom restaurants of this type is $1,355,000 to $2,086,000.

2. The architectural fee covers the cost of third-party architect(s) and/or engineer(s) we approve and you hire to prepare the Restaurant's architectural and site plans.

You also must commission and pay for an artwork package that we design and create for your Restaurant, which work will be completed under a separate agreement between you and an artist or artists we choose for you (the "Art Package"). The Art Package includes all commissioned artwork for your location (including required design elements, feature art, supplementary art, and fabrication of warehouse collectibles). All aspects of the Art Package's form and content are subject to our approval before you may commission and install the Art Package. You must pay all Art Package fees directly to the artist(s). The amount depends on the Restaurant's square footage. The minimum Art Package fee is $8 per Restaurant square foot (not including patio square footage). We estimate the Art Package Fee will range from $22,400 to $28,000 for the "fast-fine" fast-casual restaurant format. The Art Package fee does not cover construction costs needed to prepare your location to accept or install artwork or building finish costs, all of which are your responsibility.

3. We expect you to lease the Restaurant's premises. This table describes the estimated costs associated with obtaining and developing leased shell premises for the Restaurant. The Restaurant typically is a free-standing unit or in a strip mall in a commercial area. It is approximately 2,800 to 3,500 square feet. The Restaurant's size depends on many factors, including the ability to place coolers and freezers outside the Restaurant and the number of seats we require. If you lease the premises, rent and security deposit depend on the site's size, condition, and location and the demand for the site among prospective lessees. Most of our new franchisees typically do not pay any rent until their Restaurants open. However, some franchisees must pay 1 or 2 months of rent before their Restaurants open due to lease stipulations or scheduling overruns. This estimate reflects rent and security deposit for 1 month. Your initial rent obligations will depend on your lease's terms (which you will negotiate) and your Restaurant's build-out schedule. Your rent and security deposit could be higher than the estimated number depending on the site's particular characteristics, especially if it is in a large metropolitan area. A "shell premises" means the unfinished retail space a landlord typically provides when leasing the premises.

4. Required equipment includes ovens, sinks, stoves, prep coolers, Robot Coupe food processors, dishwasher, freezer, kitchen display system, water heaters, and ice makers.

5. Leasehold improvements, including wall-treatment, floors, counters, painting, window-coverings, electrical, carpentry and related work, and contractor's fees, depend on the site's size, condition, and location; the build-out required to adapt the premises for your Restaurant; landlord allowances; and other factors.

6. You must have an adequate opening supply of food and beverage products (including liquor, beer, and wine), cleaning, paper, and packaging supplies, beverage cups and lids, report forms, marketing materials, and menus. We will specify the required initial opening food/beverage order.

7. This covers travel and car-rental expenses, hotel and food rates, and compensation for your Managing Owner and managerial employees (including your potential Qualified GM) attending our required initial franchise training program. (A General Manager is typically hired 8 weeks before the projected opening.) It also covers pre-opening labor at the Restaurant for roughly 125 staff members working an average of 35 hours per week over 2 weeks and making minimum wage (which varies by state). However, you alone control all of your labor relations, employment practices, and wages.

8. Premiums for your Restaurant's insurance coverage depend on the insurance company, a state's workers' compensation rates, the fire rating on the Restaurant's structure, the Restaurant's size, and excess or extra coverages you choose. This premium range covers your insurance needs from after lease signing until the Restaurant opens.

9. Furniture includes tables, booths, chairs, and similar Restaurant items.

10. The low end of the range applies if you acquire the required technology through an approved subscription service and do not buy it outright. The one-time initial costs associated

with payment processing devices required through the subscription service range from $5,000 to $8,000. The initial costs of buying the required technology outright (which includes payment processing devices and their installation) range from $30,000 to $50,000.

11. These include utility, vendor, and sales-tax deposits, business licenses, a liquor license, uniforms, and legal, accounting, and organizational costs. The cost of obtaining a liquor license varies by city and state. While we estimate the cost at $5,000, it might be significantly higher in your market area. You should investigate the cost of, and steps to obtain, a liquor license in your market area before you acquire the franchise.

12. This line item includes the cost of required Double-Stack Hot Rocks Oven, including installation. A Triple-Stack option is available (only with our approval) at additional cost.

13. This line-item estimates the funds needed to cover your initial expenses before you open and during the first 3 months of operation (other than the items identified separately in the table). These expenses do not include any draw or salary for you or your owners. It is possible you will need additional working capital during the first 3 months you operate your Restaurant and for a longer time period afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We relied on our franchising experience since 1987, and our experience in operating (on and off) Mellow Mushroom restaurants since 1974, to compile this Additional Funds estimate.

14. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Restaurant of this type established under a Development Rights Rider.

YOUR ESTIMATED INITIAL INVESTMENT

FOR SHELL PREMISES PROVIDED BY LANDLORD UNDER A LEASE FOR A "TRADITIONAL" FULL-SERVICE RESTAURANT FORMAT*

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	$50,000	Lump Sum	On signing Franchise Agreement (and, if applicable, Development Rights Rider)	Us

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Art Package Fee (2)	$32,000 - $44,000	Lump Sum	As incurred	Artist(s)
Architectural Fee (2)	$75,000 - $138,000	Lump Sum	After selection of site	Architect
One Month's Rent (3)	$10,000 - $21,500	Lump Sum	Monthly	Landlord
Security Deposit (3)	$10,000 - $21,500	Lump Sum	On signing lease or sublease	Landlord
Retail Merchandise Display (including Inventory) (4)	$0 - $18,000	Lump Sum	As Incurred	Outside Suppliers
Equipment (4)	$280,000 - $400,000	As Agreed	As Incurred	Outside Suppliers
Leasehold Improvements (5)	$750,000 - $1,500,000	As Agreed	As Incurred	Outside Suppliers
Signage	$40,000 - $70,000	As Agreed	As Incurred	Outside Suppliers
Opening Inventory (6)	$55,000 - $78,000	Lump Sum	Before Opening	Outside Suppliers
Small Wares	$28,000 - $40,000	As Agreed	Before Opening	Outside Suppliers
Pre-Opening Labor and Training Expenses (7)	$95,000 - $120,000	As Incurred	As Incurred	Third Parties
Insurance (8)	$5,000 -$8,000	As Incurred	As Incurred	Insurance Carriers and Agents
Furniture (9)	$85,000 - $130,000	As Agreed	Before Opening	Outside Suppliers
POS System and other Back-Office Technology System (10)	$5,000-$50,000	As Incurred	As Incurred	Third Parties
Audio-Visual Equipment	$40,000 - $80,000	As Incurred	As Incurred	Third Parties

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Miscellaneous Opening Costs (11)	$15,000 - $17,500	As Incurred	As Incurred	Third Parties
Double-Stack Hot Rocks Oven with Install (12)	$60,000 - $70,000	As Agreed	Paid in Full Before Opening	Third Parties
Additional Funds - 3 months (13)	$60,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (including real estate lease costs for 1 month) (14)**	$1,685,000 - $2,916,500			

Except for the security deposit paid under the lease, no expenditure in the table above is refundable.

*The amounts listed above reflect the build-out of a 4,000 to 5,500 square foot Mellow Mushroom restaurant based on our design criteria and using average cost analysis from RS Means. The amounts could differ if construction design exceeds our set criteria or construction materials and labor used in geographic regions differ from the average cost set forth by RS Means. ("RS Means" is a commonly-used resource in the construction industry that generates costs on any project big or small and incorporates a multiplier based on the region of the country in which the project is being completed.)

**You will not incur most of these costs if you are renewing your franchise (*i.e.*, acquiring a successor franchise) because your Restaurant already is open. However, you must make certain upgrades, modifications, and improvements at your Restaurant to meet our current standards. Your costs will depend on your Restaurant's current condition.

Explanatory Notes

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the Development Rights Rider, although you of course must build the first Mellow Mushroom restaurant at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation if you commit to develop a minimum of 2 Mellow Mushroom restaurants of this type is $1,710,000 to $2,941,500.

2. The architectural fee covers the cost of third-party architect(s) and/or engineer(s) we approve and you hire to prepare the Restaurant's architectural and site plans.

You also must commission and pay for an artwork package that we design and create for your Restaurant, which work will be completed under a separate agreement between you and an artist or artists we choose for you (the "Art Package"). The Art Package includes all commissioned artwork for your location (including required design elements, feature art, supplementary art, and fabrication of warehouse collectibles). All aspects of the Art Package's form and content are subject to our approval before you may commission and install the Art Package. You must pay all Art Package fees directly to the artist(s). The amount depends on the Restaurant's square footage. The minimum Art Package fee is $8 per Restaurant square foot (not including patio square footage). We estimate the Art Package fee will range from $32,000 to $44,000 for the "traditional" full-service restaurant format. The Art Package fee does not cover construction costs needed to prepare your location to accept or install artwork or building finish costs, all of which are your responsibility.

3. You may lease or buy the Restaurant's premises. This table describes the estimated costs associated with obtaining and developing leased shell premises for the Restaurant. The next 2 tables below describe the estimated costs associated with obtaining and developing leased premises that you must retrofit and buying the real estate upon which you will construct a new building for the Restaurant. The Restaurant typically is a free-standing unit or in a strip mall in a commercial area. It is approximately 4,000 to 5,500 square feet. The Restaurant's size depends on many factors, including the ability to place coolers and freezers outside the Restaurant and the number of seats we require. If you lease the premises, rent and security deposit depend on the site's size, condition, and location and the demand for the site among prospective lessees. Most of our new franchisees typically do not pay any rent until their Restaurants open. However, some franchisees must pay 1 or 2 months of rent before their Restaurants open due to lease stipulations or scheduling overruns. This estimate reflects rent and security deposit for 1 month. Your initial rent obligations will depend on your lease's terms (which you will negotiate) and your Restaurant's build-out schedule. Your rent and security deposit could be higher than the estimated number depending on the site's particular characteristics, especially if it is in a large metropolitan area. A "shell premises" means the unfinished retail space a landlord typically provides when leasing the premises.

4. Required equipment includes ovens, sinks, stoves, prep coolers, Robot Coupe food processors, dishwasher, freezer, kitchen display system, water heaters, and ice makers. We also may require you to construct a retail-merchandise display at the Restaurant.

5. Leasehold improvements, including wall-treatment, floors, counters, painting, window-coverings, electrical, carpentry and related work, and contractor's fees, depend on the site's size, condition, and location; the build-out required to adapt the premises for your Restaurant; landlord allowances; and other factors.

6. You must have an adequate opening supply of food and beverage products (including liquor, beer, and wine), cleaning, paper, and packaging supplies, beverage cups and lids, report forms, marketing materials, and menus. We will specify the required initial opening food/beverage order.

7. This covers travel and car-rental expenses, hotel and food rates, and compensation for your Managing Owner and managerial employees (including your potential Qualified GM) attending our required initial franchise training program. (A General Manager is typically hired 8 weeks before the projected opening.) It also covers pre-opening labor at the Restaurant for roughly 125 staff members working an average of 35 hours per week over 2 weeks and making minimum wage (which varies by state). However, you alone control all of your labor relations, employment practices, and wages.

8. Premiums for your Restaurant's insurance coverage depend on the insurance company, a state's workers' compensation rates, the fire rating on the Restaurant's structure, the Restaurant's size, and excess or extra coverages you choose. This premium range covers your insurance needs from after lease signing until the Restaurant opens.

9. Furniture includes tables, booths, chairs, and similar Restaurant items.

10. The low end of the range applies if you acquire the required technology through an approved subscription service and do not buy it outright. The one-time initial costs associated with payment processing devices required through the subscription service range from $5,000 to $8,000. The initial costs of buying the required technology outright (which includes payment processing devices and their installation) range from $30,000 to $50,000.

11. These include utility, vendor, and sales tax deposits, business licenses, a liquor license, uniforms, and legal, accounting, and organizational costs. The cost of obtaining a liquor license varies by city and state. While we estimate the cost at $5,000, it might be significantly higher in your market area. You should investigate the cost of, and steps to obtain, a liquor license in your market area before you acquire the franchise.

12. This line item includes the cost of required Double-Stack Hot Rocks Oven, including installation. A Triple-Stack option is available (only with our approval) at additional cost.

13. This line-item estimates the funds needed to cover your initial expenses before you open and during the first 3 months of operation (other than the items identified separately in the table). These expenses do not include any draw or salary for you or your owners. It is possible you will need additional working capital during the first 3 months you operate your Restaurant and for a longer time period afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We relied on our franchising experience since 1987, and our experience in operating (on and off) Mellow Mushroom restaurants since 1974, to compile this Additional Funds estimate.

14. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Restaurant of this type established under a Development Rights Rider.

YOUR ESTIMATED INITIAL INVESTMENT

FOR RETROFIT PREMISES PROVIDED BY LANDLORD UNDER A LEASE FOR A "TRADITIONAL" FULL-SERVICE RESTAURANT FORMAT*

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	$50,000	Lump Sum	On signing Franchise Agreement (and, if applicable, Development Rights Rider)	Us
Art Package Fee (2)	$32,000 - $44,000	Lump Sum	As incurred	Artist(s)
Architectural Fee (2)	$75,000 - $138,000	Lump Sum	After selection of site	Architect
One Month's Rent (3)	$10,000 - $21,500	Lump Sum	Monthly	Landlord
Security Deposit (3)	$10,000 - $21,500	Lump Sum	On signing lease or sublease	Landlord
Retail Merchandise Display (including Inventory) (4)	$0 - $18,000	Lump Sum	As Incurred	Outside Suppliers
Equipment (4)	$280,000 - $400,000	As Agreed	As Incurred	Outside Suppliers
Leasehold Improvements (5)	$750,000 - $1,500,000	As Agreed	As Incurred	Outside Suppliers
Signage	$40,000 - $70,000	As Agreed	As Incurred	Outside Suppliers
Opening Inventory (6)	$55,000 - $78,000	Lump Sum	Before Opening	Outside Suppliers
Small Wares	$28,000 - $40,000	As Agreed	Before Opening	Outside Suppliers

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Pre-Opening Labor and Training Expenses (7)	$95,000 - $120,000	As Incurred	As Incurred	Third Parties
Insurance (8)	$5,000 -$8,000	As Incurred	As Incurred	Insurance Carriers and Agents
Furniture (9)	$85,000 - $130,000	As Agreed	Before Opening	Outside Suppliers
POS System and other Back-Office Technology System (10)	$5,000 -$50,000	As Incurred	As Incurred	Third Parties
Audio-Visual Equipment	$40,000 - $80,000	As Incurred	As Incurred	Third Parties
Miscellaneous Opening Costs (11)	$15,000 - $17,500	As Incurred	As Incurred	Third Parties
Double-Stack Hot Rocks Oven with Install (12)	$60,000 - $70,000	As Agreed	Paid in Full Before Opening	Third Parties
Additional Funds - 3 months (13)	$60,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (including real estate lease costs for 1 month) (14)**	$1,685,000 - $2,916,500			

Except for the security deposit paid under the lease, no expenditure in the table above is refundable.

*The amounts listed above reflect the build-out of a 4,000 to 5,500 square foot Mellow Mushroom restaurant based on our design criteria and using average cost analysis from RS Means. The amounts could differ if construction design exceeds our set criteria or construction materials and labor used in geographic regions differ from the average cost set forth by RS Means. ("RS Means" is a commonly-used resource in the construction industry that generates costs on any project big or small and incorporates a multiplier based on the region of the country in which the project is being completed.)

**You will not incur most of these costs if you are renewing your franchise (*i.e.*, acquiring a successor franchise) because your Restaurant already is open. However, you

must make certain upgrades, modifications, and improvements at your Restaurant to meet our current standards. Your costs will depend on your Restaurant's current condition.

Explanatory Notes

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the Development Rights Rider, although you of course must build the first Mellow Mushroom Restaurant at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation if you commit to develop a minimum of 2 Mellow Mushroom restaurants of this type is $1,710,000 to $2,941,500.

2. The architectural fee covers the cost of third-party architect(s) and/or engineer(s) we approve and you hire to prepare the Restaurant's architectural and site plans.

You also must commission and pay for an artwork package that we design and create for your Restaurant, which work will be completed under a separate agreement between you and an artist or artists we choose for you (the "Art Package"). The Art Package includes all commissioned artwork for your location (including required design elements, feature art, supplementary art, and fabrication of warehouse collectibles). All aspects of the Art Package's form and content are subject to our approval before you may commission and install the Art Package. You must pay all Art Package fees directly to the artist(s). The amount depends on the Restaurant's square footage. The minimum Art Package fee is $8 per Restaurant square foot (not including patio square footage). We estimate the Art Package fee will range from $32,000 to $44,000 for the "traditional" full-service restaurant format. The Art Package fee does not cover construction costs needed to prepare your location to accept or install artwork or building finish costs, all of which are your responsibility.

3. You may lease or buy the Restaurant's premises. This table describes the estimated costs associated with obtaining and developing leased premises for the Restaurant that you must retrofit. The next table below describes the estimated costs associated with buying the real estate upon which you will construct a new building for the Restaurant. The Restaurant typically is a free-standing unit or in a strip mall in a commercial area. It is approximately 4,000 to 5,500 square feet. The Restaurant's size will depend on many factors, including the ability to place coolers and freezers outside the Restaurant and the number of seats we require. If you lease the premises, rent and security deposit depend on the site's size, condition, and location and the demand for the site among prospective lessees. Most of our new franchisees typically do not pay any rent until their Restaurants open. However, some franchisees must pay 1 or 2 months of rent before their Restaurants open due to lease stipulations or scheduling overruns. This estimate reflects rent and security deposit for 1 month. Your initial rent obligations will depend on your lease's terms (which you will negotiate) and your Restaurant's build-out schedule. Your rent and security deposit could be higher than the estimated number depending on the site's particular characteristics, especially if it is in a large metropolitan area.

4. Required equipment includes ovens, sinks, stoves, prep coolers, Robot Coupe food processors, dishwasher, freezer, kitchen display system, water heaters, and ice makers. We also may require you to construct a retail-merchandise display at the Restaurant.

5. Leasehold improvements, including wall-treatment, floors, counters, painting, window-coverings, electrical, carpentry and related work, and contractor's fees, depend on the site's size, condition, and location; the build-out required to adapt the premises for your Restaurant; landlord allowances; and other factors.

6. You must have an adequate opening supply of food and beverage products (including liquor, beer, and wine), cleaning, paper, and packaging supplies, beverage cups and lids, report forms, marketing materials, and menus. We will specify the required initial opening food/beverage order.

7. This covers travel and car-rental expenses, hotel and food rates, and compensation for your Managing Owner and managerial employees (including your potential Qualified GM) attending our required initial franchise training program. (A General Manager is typically hired 8 weeks before the projected opening.) It also covers pre-opening labor at the Restaurant for roughly 125 staff members working an average of 35 hours per week over 2 weeks and making minimum wage (which varies by state). However, you alone control all of your labor relations, employment practices, and wages.

8. Premiums for your Restaurant's insurance coverage depend on the insurance company, a state's workers' compensation rates, the fire rating on the Restaurant's structure, the Restaurant's size, and excess or extra coverages you choose. This premium range covers your insurance needs from after lease signing until the Restaurant opens.

9. Furniture includes tables, booths, chairs, and similar Restaurant items.

10. The low end of the range applies if you acquire the required technology through an approved subscription service and do not buy it outright. The one-time initial costs associated with payment processing devices required through the subscription service range from $5,000 to $8,000. The initial costs of buying the required technology outright (which includes payment processing devices and their installation) range from $30,000 to $50,000.

11. These include utility, vendor, and sales tax deposits, business licenses, a liquor license, uniforms, and legal, accounting, and organizational costs. The cost of obtaining a liquor license varies by city and state. While we estimate the cost at $5,000, it might be significantly higher in your market area. You should investigate the cost of, and steps to obtain, a liquor license in your market area before you acquire the franchise.

12. This line item includes the cost of required Double-Stack Hot Rocks Oven, including installation. A Triple-Stack option is available (only with our approval) at additional cost.

13. This line-item estimates the funds needed to cover your initial expenses before you open and during the first 3 months of operation (other than the items identified separately in the table). These expenses do not include any draw or salary for you or your owners. It is possible you will need additional working capital during the first 3 months you operate your Restaurant and for a longer time period afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We relied on our franchising experience since 1987, and our experience in operating (on and off) Mellow Mushroom restaurants since 1974, to compile this Additional Funds estimate.

14. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Restaurant of this type established under a Development Rights Rider.

YOUR ESTIMATED INITIAL INVESTMENT

FOR PURCHASE OF REAL ESTATE FOR RESTAURANT AND SUBSEQUENT BUILD-OUT AND DEVELOPMENT FOR A "TRADITIONAL" FULL-SERVICE RESTAURANT FORMAT*

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	$50,000	Lump Sum	On signing Franchise Agreement (and, if applicable, Development Rights Rider)	Us
Art Package Fee (2)	$32,000 - $44,000	Lump Sum	As incurred	Artist(s)
Architectural Fee (2)	$96,000 - $156,000	Lump Sum	After selection of site	Architect
Civil-Engineering Fee (3)	$15,000 - $25,000	Lump Sum	As Incurred	Engineer
Real Estate Purchase (4)	$350,000 - $1,000,000	Down-payment and then mortgage	As Incurred	Seller of real estate

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Site Work (5)	$200,000 - $500,000	As Agreed	As Incurred	Outside Suppliers
Building Construction (6)	$1,400,000 - $1,900,000	As Agreed	As Incurred	Outside Suppliers
Retail Merchandise Display (including Inventory) (7)	$0 - $18,000	Lump Sum	As Incurred	Outside Suppliers
Equipment (7)	$280,000 - $400,000	As Agreed	As Incurred	Outside Suppliers
Signage	$40,000 - $95,000	As Agreed	As Incurred	Outside Suppliers
Opening Inventory (8)	$55,000 - $78,000	Lump Sum	Before Opening	Outside Suppliers
Small Wares	$28,000 - $40,000	As Agreed	Before Opening	Outside Suppliers
Pre-Opening Labor and Training Expenses (9)	$95,000 - $120,000	As Incurred	As Incurred	Third Parties
Insurance (10)	$5,000 -$8,000	As Incurred	As Incurred	Insurance Carriers and Agents
Furniture (11)	$85,000 - $130,000	As Agreed	Before Opening	Outside Suppliers
POS System and other Back-Office Technology System (12)	$5,000 -$50,000	As Incurred	As Incurred	Third Parties
Audio-Visual Equipment	$40,000 - $80,000	As Incurred	As Incurred	Third Parties
Miscellaneous Opening Costs (13)	$15,000 - $17,500	As Incurred	As Incurred	Third Parties
Double-Stack Hot Rocks Oven with Install (14)	$60,000 - $70,000	As Agreed	Paid in Full Before Opening	Third Parties

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Additional Funds - 3 months (15)	$60,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (including real estate purchase and building construction costs) (16)**	$2,901,000 - $4,841,500			

No expenditure in the table above is refundable.

*The amounts listed above reflect the purchase of real estate for and the construction of a 4,000 to 5,500 square foot Mellow Mushroom restaurant based on our design criteria and using average cost analysis from RS Means. The amounts could differ if construction design exceeds our set criteria or construction materials and labor used in geographic regions differ from the average cost set forth by RS Means. ("RS Means" is a commonly-used resource in the construction industry that generates costs on any project big or small and incorporates a multiplier based on the region of the country in which the project is being completed.)

**You will not incur most of these costs if you are renewing your franchise (*i.e.*, acquiring a successor franchise) because your Restaurant already is open. However, you must make certain upgrades, modifications, and improvements at your Restaurant to meet our current standards. Your costs will depend on your Restaurant's current condition.

Explanatory Notes

1. We describe the initial franchise and development fees in Item 5. No separate initial investment is required when you sign the Development Rights Rider, although you of course must build the first Mellow Mushroom Restaurant at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation if you commit to develop a minimum of 2 Mellow Mushroom restaurants of this type is $2,926,000 to $4,866,500.

2. The architectural fee covers the cost of third-party architect(s) and/or engineer(s) we approve and you hire to prepare the Restaurant's architectural and site plans.

You also must commission and pay for an artwork package that we design and create for your Restaurant, which work will be completed under a separate agreement between you and an artist or artists we choose for you (the "Art Package"). The Art Package includes all commissioned artwork for your location (including required design elements, feature art,

supplementary art, and fabrication of warehouse collectibles). All aspects of the Art Package's form and content are subject to our approval before you may commission and install the Art Package. You must pay all Art Package fees directly to the artist(s). The amount depends on the Restaurant's square footage. The minimum Art Package fee is $8 per Restaurant square foot (not including patio square footage). We estimate the Art Package fee will range from $32,000 to $44,000 for the "traditional" full-service restaurant format. The Art Package fee does not cover construction costs needed to prepare your location to accept or install artwork or building finish costs, all of which are your responsibility.

3. Civil engineering typically includes site-plan, utility-plan, and grading and paving plan. Landscape will be contracted with a landscape architect, if separate from the Civil Engineer. The amount of work and fees depend on the site's condition, engineering requirements, and the effort necessary to conform the site for the Restaurant.

4. You may lease or buy the Restaurant's premises. The Restaurant typically is in a commercial area. The first 3 tables in this Item 7 describe the estimated costs associated with obtaining and developing leased premises for the Restaurant. However, this table describes the estimated costs associated with buying the real estate upon which you will construct a new building for the Restaurant. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and type of ownership interest you buy. Because of numerous variables affecting real estate acquisition costs (for example, financing costs and down-payment), this estimated initial investment might not reflect the total costs to buy real estate and construct a building suitable for the Restaurant. Property should have excellent visibility from a main road, a minimum of one acre, and no restriction preventing development of the Restaurant as a full-service restaurant with liquor sales.

5. Site work typically includes storm-water drainage, water-retention, grading, and parking lot. The cost of the Restaurant's site work depends on the remediation required for the site to become pad-ready.

6. Building construction includes costs associated with slab, foundation, frame, plumbing, electrical, mechanical, interior walls and finishes, millwork, and ceiling.

7. Required equipment includes ovens, sinks, stoves, prep coolers, Robot Coupe food processors, dishwasher, freezer, kitchen display system, water heaters, and ice makers. We also may require you to construct a retail-merchandise display at the Restaurant.

8. You must have an adequate opening supply of food and beverage products (including liquor, beer, and wine), cleaning, paper, and packaging supplies, beverage cups and lids, report forms, marketing materials, and menus. We will specify the required initial opening food/beverage order.

9. This covers travel and car-rental expenses, hotel and food rates, and compensation for your Managing Owner and managerial employees (including your potential Qualified GM) attending our required initial franchise training program. (A General Manager is typically hired 8 weeks before the projected opening.) It also covers pre-opening labor at the Restaurant for

roughly 125 staff members working an average of 35 hours per week over 2 weeks and making minimum wage (which varies by state). However, you alone control all of your labor relations, employment practices, and wages.

10. Premiums for your Restaurant's insurance coverage depend on the insurance company, a state's workers' compensation rates, the fire rating on the Restaurant's structure, the Restaurant's size, and excess or extra coverages you choose. This premium range covers your insurance needs from after site acquisition until the Restaurant opens.

11. Furniture includes tables, booths, chairs, and similar Restaurant items.

12. The low end of the range applies if you acquire the required technology through an approved subscription service and do not buy it outright. The one-time initial costs associated with payment processing devices required through the subscription service range from $5,000 to $8,000. The initial costs of buying the required technology outright (which includes payment processing devices and their installation) range from $30,000 to $50,000.

13. These include utility, vendor, and sales tax deposits, business licenses, a liquor license, uniforms, and legal, accounting, and organizational costs. The cost of obtaining a liquor license varies by city and state. While we estimate the cost at $5,000, it might be significantly higher in your market area. You should investigate the cost of, and steps to obtain, a liquor license in your market area before you acquire the franchise.

14. This line item includes the cost of required Double-Stack Hot Rocks Oven, including installation. A Triple-Stack option is available (only with our approval) at additional cost.

15. This line-item estimates the funds needed to cover your initial expenses before you open and during the first 3 months of operation (other than the items identified separately in the table). These expenses do not include any draw or salary for you or your owners. It is possible you will need additional working capital during the first 3 months you operate your Restaurant and for a longer time period afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We relied on our franchising experience since 1987, and our experience in operating (on and off) Mellow Mushroom restaurants since 1974, to compile this Additional Funds estimate.

16. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Restaurant of this type established under a Development Rights Rider.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Designated Suppliers. You must operate the Restaurant according to our standards and specifications, which may regulate, among other things, the types, models, and brands of

fixtures, furniture, furnishings, equipment, signs, products, materials, and supplies you must use in operating the Restaurant; required or authorized products and services and product and service categories; product preparation, storage, handling, and packaging procedures; product-inventory requirements; and designated or approved suppliers of these items. You must buy all of your tomato sauce/spice mix and pizza dough directly from a designated wholesaler that buys these products from Red Bud. There currently are (i) designated suppliers for all food products (including produce), cleaning supplies, paper goods, and printed menus, (ii) separate designated suppliers for our retail-merchandising program, and (iii) a separate designated supplier for our required technology systems, including components and software necessary for you to accept and process online orders and our gift and loyalty cards and to participate in our gift card, customer loyalty, affinity, and similar programs. We periodically may change these suppliers. There are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Restaurant that you must buy or lease from us or a single designated supplier. Our officers do not own an interest in any third-party (unaffiliated) supplier.

Approved Suppliers. To maintain the quality of the goods and services Mellow Mushroom restaurants sell and our system's reputation, you must buy or lease fixtures, furniture, equipment, supplies, furnishings, other food products (besides those mentioned above), uniforms, and similar items (and services) meeting our minimum standards and specifications and, for some items, from distributors or suppliers we approve or designate (which might include or be limited to us). If we approve distributors or suppliers or designate a distributor or supplier for an item or service, you must buy that item or service only from an approved distributor or supplier or only from the designated distributor or supplier, as applicable. Our standards and specifications may impose minimum requirements for delivery, performance, freshness, quality, reputation, design, and appearance. We will notify you in our Operations Manual or other communications of our standards and specifications and/or names of approved and designated distributors and suppliers. There might be situations where you may obtain items and services from any supplier that can satisfy our requirements and, therefore, would be an approved supplier. We currently are not an approved, direct supplier of any item. (As noted above, Red Bud is the designated wholesaler of tomato sauce/spice mix and pizza dough.) Nevertheless, we expect to negotiate (from time to time) single-payer agreements with third-party vendors of various services and products to achieve greater discounts and/or economies of scale for franchisees. In those circumstances, the third-party vendors will require us to sign the particular supply/service agreement and to be directly responsible for paying for the services or products. In that case, we will collect the applicable amounts from our franchisees on a pro rata basis (on a monthly or other basis depending on the vendor's payment schedule) to reimburse us for the payments we must make to the vendors on the franchisees' behalf.

During the fiscal year ended September 30, 2024, Red Bud received $18,662,289 from selling tomato sauce/spice mix and pizza dough directly to our franchisees or to wholesalers that resold the products to our franchisees. (This information is from Red Bud's internal records and our year-end consolidated audited financial statements.) In our fiscal year ended September 30, 2024, and according to the statement of earnings in our year-end audited financial statements, our consolidated revenue from all items Red Bud sold directly to our franchisees, or to

wholesalers that resold the items to our franchisees, was $18,662,289, which is 29.8% of our total annual revenue of $62,739,514.

We (and our affiliates) have the right to receive payments from suppliers on account of their actual and/or prospective dealings with you and other franchisees (and us) and to use these amounts without restriction for any purposes we deem appropriate (unless we agree otherwise with the supplier). We negotiate purchase arrangements with suppliers; these often include volume discounts. At various times, we have negotiated purchase arrangements with suppliers of soft drinks, salad dressings, canned goods, meats, and cheeses. Our negotiations seek to promote our franchise system's overall interests and our interests as the franchisor (and not the interests of a particular franchisee). Some suppliers pay us fees for products purchased through these negotiated agreements. These fees are usually based on an amount per case of product ordered and generally range from $.10 to $5 per case. According to our internal records, during our 2024 fiscal year, we received $1,914,620 from approved suppliers on account of their sales of non-Mellow Mushroom branded items to our franchisees. We deposited these amounts directly into the Brand Development Fund. We also receive license fees from suppliers, some of which we license to imprint the Marks on paper goods and other items sold to our franchisees. According to our internal records, during our 2024 fiscal year, we received $1,976,437 in license fees from suppliers of Mellow Mushroom-branded and non-branded items. (This $1,976,437 does not include the $1,914,620 referenced above.)

If you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved, you first must submit sufficient information, specifications, and samples so we can determine whether the item or service complies with our standards or the supplier meets approved-supplier criteria. We may charge you a reasonable fee to cover our costs to make this decision (see Item 6) and will decide within a reasonable time (typically 30 to 60 days). We periodically will establish procedures for you to request approval of items, services, and suppliers. We may limit the number of approved items, services, and suppliers. We may require you to buy goods and services only from us or a designated distributor or supplier at prices determined at that time. Supplier approval might depend on product quality, frequency of delivery, standards of service, and willingness to pay us for the right to do business with our system. Approval may be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure the supplier continues meeting our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. Suppliers must agree in writing to follow our rules for trademark use and preparing materials. We need not accept any proposed supplier of an item or service if we already have designated or approved a single supplier or a limited number of suppliers for the item or service, even if we or an affiliate is the designated or approved supplier.

Insurance. Besides the purchases and leases described above, you must obtain and maintain, at your own expense, the insurance coverage that we and the Restaurant's lease periodically require and meet other insurance-related obligations. You currently must have general liability insurance of at least $1 million per occurrence, $2 million in the aggregate, products liability insurance, workers' compensation insurance required by law, and employment practices liability insurance (EPLI). (You may wish to obtain greater insurance coverage if you own the Restaurant's underlying real estate.) Premiums depend on the insurance carrier's

charges, payment terms, and your history. All insurance policies (except for EPLI, unless we require otherwise) must name us as an additional-insured party for claims arising from the Restaurant's operation. We must receive at least 10 days' prior notice of cancellation of coverage.

Advertising Materials. Before you use them, you must send us for approval samples of all advertising, promotional, and marketing materials and novelty items we have not prepared or previously approved within the past 12 months. If you do not receive written disapproval within 15 days after we receive the materials or items, they are deemed to be approved. You may not use any materials or items we have not approved or have disapproved.

Art Package. As described in Item 7, you must purchase an art package designed exclusively for your Restaurant.

Restaurant Design. We will oversee overall implementation of the Restaurant's build-out project with respect to communications, schedule, general budget parameters, and overall design execution. We will provide requirements or guidance for the Restaurant's overall design direction along with an approved Brand Direction Guide or other materials for, among other things, furniture, finishes, bar layout, kitchen layout, and retail options. We may require that the design include an area to display and sell Mellow Mushroom merchandise.

You must pay all costs to develop the Restaurant. We will approve architects, engineers, interior-design firms, and other professional consultants to prepare construction documents for your Restaurant, including site and architectural plans. You must obtain your landlord's approval of the plans (if you lease rather than own the Restaurant's premises) and any required construction permits. You must use the architect and professional consultants we approve. They must be contracted throughout the project's entire construction administration phase because they will be responsible for clarifying any architecture and design-related "Requests for Information" ("RFIs") during the construction phase. If the architect's contract is dissolved before the project is completed and we must provide answers to RFIs, we will not be responsible for any issues that arise afterward. We must review and accept final plans and specifications before you begin constructing the Restaurant. We must review and accept any change to these plans before you implement the change, whether before or during the Restaurant's construction. If we reject any changes to what we had considered to be the final plans and specifications, you are solely responsible for all costs associated with changing back to the original design. We may inspect the Restaurant during its development and require reasonable alterations to make sure it complies with our plans and specifications.

If your landlord refuses to approve the Restaurant's proposed plans or any modifications of those plans that we approve after receiving the landlord's input, as a result of which you cannot develop the Restaurant in accordance with our standards and specifications for the Mellow Mushroom restaurant proposed to be developed at the Restaurant's site, we may terminate the Franchise Agreement.

Restaurant Construction and Permits. You must hire licensed and registered general contractors and others to construct the Restaurant according to the approved construction

documents. You must use the general contractor we approve. If we do not have a recommended general contractor, you must submit a general contractor and the general contractor agreement for our approval. You may not hire a general contractor we have not approved. You must obtain all permits, licenses, and other governmental approvals necessary to construct and operate the Restaurant. Unless we otherwise agree in writing, you must have a valid liquor/pouring license (including distilled spirits, beer, and wine) to open and operate the Restaurant.

Site Selection. The Restaurant must be at a site we accept. We also must accept the site's lease or sublease (if you lease rather than own the Restaurant's premises), which must contain certain required terms. You must collaterally assign to us the lease or sublease as security for timely performing your obligations under the Franchise Agreement and obtain the lessor's consent to the collateral assignment. This means that, if you do not fulfill your obligations, we may take over the premises. Our required lease terms and collateral assignment appear in the Rider and Special Stipulations attached to the Franchise Agreement.

Gift Card and Similar Programs. You must issue and honor/redeem gift certificates, coupons, and gift, loyalty, and affinity cards for Mellow Mushroom restaurants and participate in, and comply with the requirements of, our gift-card and other customer-loyalty, affinity, and similar programs. We may have the Brand Fund pay some of the costs of the third-party vendor we hire to administer the Mellow Mushroom System's brand loyalty program. To the extent the Brand Fund does not cover those costs, franchisees must pay them directly to the vendor (unless we use a technology fee to cover some of them). We may implement and change our practice in this area when we deem best. We have no obligation to reimburse you for any costs you incur in participating in the types of programs referenced above, including for providing products to customers without compensation.

The Development Rights Rider does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items. You must give us information and materials we request regarding each site at which you propose to operate a Restaurant so we can assess and accept that site.

Collectively, the purchases and leases described above represent almost 100% of your total purchases and leases to establish and then operate the Restaurant. Except as described above, we currently do not derive revenue or other material consideration from required purchases or leases. There currently are no purchasing or distribution cooperatives. We do not provide material benefits to a franchisee for purchasing particular products or services or using particular suppliers.

[Item 9 begins on next page]

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in agreement	Disclosure document item
(a)	Site selection and acquisition/lease	6 of Franchise Agreement, Rider and Special Stipulations, and 6 of Development Rights Rider	7, 8, 11, and 12
(b)	Pre-opening purchases/leases	7A, B, C, D, E, F, and H, 8A, B, J, S, and U, 9C, and 10 of Franchise Agreement	5, 6, 7, 8, and 11
(c)	Site development and other pre-opening requirements	7 and 10 of Franchise Agreement	7, 8, and 11
(d)	Initial and ongoing training	9A of Franchise Agreement	6, 7, and 11
(e)	Opening	7A and 8K of Franchise Agreement and 3 of Development Rights Rider	11
(f)	Fees	3B, 4, 8B, P, and R, 9, 10B, 11, 12, 13, 14B, 15B, 16C(1), 16C(2)(e), 16E(2), and 23F of Franchise Agreement, 7 of Successor Franchise Rider to Franchise Agreement, and 5 of Development Rights Rider	5, 6, and 7
(g)	Compliance with standards and policies/operating manual	8 and 9C of Franchise Agreement	8 and 11
(h)	Trademarks and proprietary information	17 of Franchise Agreement, Principal's Agreement	13 and 14
(i)	Restrictions on products/services offered	8A, B, F, O, T, U, and V and 9C of Franchise Agreement	8, 11, 12, and 16
(j)	Warranty and customer service requirements	Not Applicable	Not Applicable
(k)	Territorial development and sales quotas	2, 3, and 6 of Development Rights Rider	12

Obligation		Section in agreement	Disclosure document item
(l)	On-going product/service purchases	7E, F, G and H, 8A, B, C, D, F, S, and U, 9C, and 10 of Franchise Agreement	6 and 8
(m)	Maintenance, appearance, and remodeling requirements	3B, 7G, 8D, and 9B of Franchise Agreement and 9 of Successor Franchise Rider to Franchise Agreement	11 and 17
(n)	Insurance	10 of Franchise Agreement	6, 7, and 8
(o)	Advertising	8F and 11 of Franchise Agreement	6, 7, 8, and 11
(p)	Indemnification	12 of Franchise Agreement	6
(q)	Owner's participation/ management/staffing	8G, H, I, and M of Franchise Agreement	11 and 15
(r)	Records and reports	8J, 14C, and 15 of Franchise Agreement	Not Applicable
(s)	Inspections and audits	9B and 15B of Franchise Agreement	6 and 11
(t)	Transfer	16 of Franchise Agreement and 9 of Development Rights Rider	17
(u)	Renewal	3B of Franchise Agreement and 6 of Successor Franchise Rider to Franchise Agreement	17
(v)	Post-termination obligations	18B and 20B, C, and D of Franchise Agreement	17
(w)	Non-competition covenants	18 of Franchise Agreement	17
(x)	Dispute resolution	21 and 23I, J, K, and L of Franchise Agreement	17
(y)	Participation in gift-card and customer-loyalty and affinity programs	7H and 8A of Franchise Agreement	8 and 11
(z)	Compliance with social media standards, specifications, and operating procedures	8A of Franchise Agreement	Not Applicable
(aa)	Compliance with mobile or digital ordering and Mellow Mushroom System applications and other digital channels	8A of Franchise Agreement	Not Applicable

ITEM 10
FINANCING

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

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

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

Before you open the Restaurant, we will:

1. Accept a site you propose if it meets our requirements. We will give you our site-selection criteria for the Restaurant. The site must meet our criteria for population density and other demographic characteristics; visibility; traffic flow; competition; accessibility; ingress and egress; size; and other physical and commercial characteristics. If the Restaurant's address is unknown when you sign the Franchise Agreement, you will have 6 months after its effective date to find and obtain our written acceptance of a site within a non-exclusive Site Selection Area at which to operate the Restaurant. Within an additional 2 months after you find and obtain our written acceptance of that proposed Restaurant site, you must secure the site under a lease acceptable to us. This Site Selection Period will expire upon the earliest of (a) our acceptance of the Restaurant's site and lease, (b) the Franchise Agreement's termination, or (c) 8 months after the Franchise Agreement's effective date.

We will review potential Restaurant sites you identify within the Site Selection Area and visit the Site Selection Area to review potential Restaurant sites. We may condition our acceptance of a proposed site, or a proposed site visit, on your first sending us complete site reports and other materials we request. We will not unreasonably withhold our acceptance of a site. However, we have the absolute right to reject any site not meeting our criteria. We will use reasonable efforts to review and accept or reject each site you propose within 20 days after we receive all requested information and materials. If we do not accept the site in writing within those 20 days, it is deemed rejected. (Franchise Agreement – Section 6.A)

You also must send us for review and written acceptance both the proposed terms (as they appear in, for example, a landlord letter of intent or lease abstract) of any lease or sublease that will govern your occupancy and lawful possession of the Restaurant's site and the actual lease, in each case after receipt from the landlord. We will have 20 days after receiving the proposed lease terms, and an additional 20 days after receiving the actual lease (these time periods will not overlap or run concurrently, to review and either accept or reject what you send us. The lease must include the Rider and Special Stipulations attached to the Franchise Agreement. You may not sign any lease that we have not accepted in writing. If we do not accept the proposed lease terms, or the actual lease, in writing within the applicable 20-day period after receiving them, the lease terms or the lease, as applicable, will be deemed rejected. You must

send us a true copy of the signed lease within 10 days after it is fully executed. (Franchise Agreement – Section 6.B)

If you do not either find an acceptable Restaurant site within 6 months after the Franchise Agreement's effective date or secure that Restaurant site within an additional 2 months after obtaining our acceptance of the site, we have the right to terminate the Franchise Agreement (with no refund of the initial franchise fee. (Franchise Agreement – Sections 6.A. and 6.B) We do not own locations for lease to franchisees.

If your landlord refuses to approve the Restaurant's proposed plans or any modifications of those plans that we approve after receiving the landlord's input, as a result of which you cannot develop the Restaurant in accordance with our standards and specifications for the Mellow Mushroom restaurant proposed to be developed at the Restaurant's site, we may terminate the Franchise Agreement. (Franchise Agreement – Section 7.B.)

2. Recommend or approve an architect and/or design professional (for you to hire) to prepare interior/exterior construction documents for your Restaurant. (Franchise Agreement – Sections 4.C. and 7.B.)

3. Recommend or approve the general contractor you will use. (Franchise Agreement – Section 7.C.)

4. Have an art package designed and created for the Restaurant. (Franchise Agreement – Section 7.B.)

5. Give you a restaurant design package and specifications for a Mellow Mushroom restaurant. (Franchise Agreement – Sections 7.B. and 7.C.)

6. Designate a specific number of Restaurants you must develop and open at accepted locations within your Development Area (if we grant you development rights). (Development Rights Rider – Sections 2, 3, and 6) We will accept the proposed locations of your additional Restaurants only if they meet our then-current standards for Restaurant sites.

7. As discussed in Item 8, identify the fixtures, furniture, furnishings, equipment, technology system, signs, products, materials, supplies, and services you need to develop and operate the Restaurant; the minimum standards and specifications you must satisfy; and the designated or approved suppliers from which you must or may buy or lease these items and services (which might include and/or be limited to us and our affiliates). (Franchise Agreement – Sections 7.E., 7.F., 7.H., 8.A., 8.B., and 9.C.) We and our affiliates currently are not involved in delivering or installing fixtures, equipment, or signs, although we will provide direction for you to comply with our standards.

8. Give you access to both (a) the web-hosted e-learning site "Schoox," which is effectively our Operations Manual (the table of contents of which is Exhibit C), on the "admin site" on our intranet, and (b) our web-hosted franchisee information platform called "Mellow

Connect." (Franchise Agreement – Section 8.C.) There are approximately 1,977 pages in the Operations Manual (including 287 videos).

9. Train your Managing Owner and up to 2 managers or assistant managers (including the potential Qualified GM). (Franchise Agreement – Section 9.A.) We describe this training later in this Item.

During your operation of the Restaurant, we will:

1. Periodically inspect and monitor the Restaurant's operation. (Franchise Agreement – Section 9.B.)

2. Give you additional guidance, assistance, and training, if necessary. (Franchise Agreement – Section 9.A.(2))

3. Give you access to the Operations Manual containing the information and materials we generally give franchisees to operate Mellow Mushroom restaurants. The Operations Manual contains specifications, standards, operating procedures, and rules we periodically require. We may modify the Operations Manual periodically to reflect changes in our system. The Operations Manual is posted on our intranet. (Franchise Agreement – Section 8.C.)

4. Issue and modify standards, specifications, and operating procedures for Mellow Mushroom restaurants. We periodically may modify our standards, which may accommodate regional or local variations, and these modifications may require you to invest additional capital in the Restaurant and/or incur higher operating costs, even if the additional capital investment at that time cannot be amortized over the remaining franchise term. (Franchise Agreement – Sections 8.A., 8.B., 8.D., and 9.C.)

5. Let you use our trade secrets and confidential information. (Franchise Agreement – Section 17.B.)

6. Let you use our Marks. (Franchise Agreement – Sections 17.A., 17.C., 17.D., 17.E., and 17.F.)

7. Periodically offer refresher training courses. (Franchise Agreement – Section 9.A.(2))

8. Oversee the development of layout plans if you relocate the Restaurant. (Franchise Agreement – Section 7.D.)

9. Review advertising and promotional materials and inspect novelty items you want to use. (Franchise Agreement – Sections 8.F., 8.U., and 11.B.)

10. Sell proprietary and other products to you. (Franchise Agreement – Sections 8.B. and 9.C.)

11. Recommend or establish maximum, minimum, tiered, or other pricing requirements for the prices you charge for the Restaurant's products and services, to the fullest extent allowed by applicable law. (Franchise Agreement – Section 8.O.)

12. Administer the brand development fund (the "Brand Fund") for the advertising, marketing, public relations, and other brand-development and enhancement programs and materials we think are appropriate. (Franchise Agreement – Section 11.A.) You must contribute to the Brand Fund the minimum percentage of the Restaurant's Weekly Gross Sales that we require from time to time (see next paragraph), payable at the same time and in the same manner as the Royalty. You currently must contribute 2% of the Restaurant's Weekly Gross Sales to the Brand Fund. However, the required Brand Fund contribution will increase to 3% of the Restaurant's Weekly Gross Sales beginning January 1, 2026. Mellow Mushroom restaurants that we and our affiliates own will contribute to the Brand Fund on the same percentage basis as franchisees. We also may collect for deposit into the Brand Fund any advertising, marketing, or similar allowances paid by suppliers who deal with Mellow Mushroom restaurants.

The aggregate amount we may require you to spend to advertise, market, and promote the Restaurant during the franchise term (for Brand Fund contributions, local advertising, and advertising cooperatives) will not exceed, in the aggregate, 5% of the Restaurant's Weekly Gross Sales. We have the right as we deem best, upon notice to you, to adjust (i.e., increase or decrease) the percentages among these three required categories of advertising expenditures at any time and from to time during the franchise term within the 5% cap. In other words, we may, for example, increase your required Brand Fund contribution up to 5% of the Restaurant's Weekly Gross Sales as long as we concurrently and proportionally reduce your required local advertising obligations.

We direct and determine all programs the Brand Fund finances. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, operating, and maintaining a Franchise System Website, an intranet or extranet, and/or related strategies; administering national, regional, and multi-regional marketing, advertising, and other brand-development and enhancement programs, including outfitting Restaurants with additional signage or artwork and other brand-building; purchasing direct mail and other media advertising; doing on-line Internet advertising, marketing, and other brand-building; using advertising, promotion, and marketing agencies to provide assistance; administering, staffing, and supporting all public-relations programs and store-quality and operational-enhancement programs; on-site training of store personnel; and supporting market research and other advertising, promotion, marketing, and brand-development and enhancement activities, including conducting franchise conferences and research and development of new menu items and products. We may advertise in printed materials, on public signage, on radio or television, or in other media (including electronic media) depending on what we think best. Our staff and outside advertising agencies will produce materials and programs. The Brand Fund periodically will give you templates of public relations, marketing, and promotional formats and materials at no cost for use in your local market. Multiple copies of these or similar materials may be made available for purchase from our designated vendor at its then-current prices, plus any related shipping and handling charges.

During our last fiscal year ended September 30, 2024, the Brand Fund's expenditures were broken down as follows: 46.5% on media placement, 18.7% on promotional campaigns and events, 2.4% on promotional materials (such as t-shirts, bumper stickers, and other logoed items we provide to franchisees), 0.9% on local restaurant marketing, 0.9% on menus and menu development, 5.4% on art production and design, business development, equipment rental, sponsorships, and supplies, and 25.2% on administrative expenses (including salaries, wages, and overhead).

We account for the Brand Fund separately from our other monies and do not use the Brand Fund to pay any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses, and overhead we incur administering and implementing the Brand Fund and its programs, including conducting market research; preparing advertising, promotion, marketing, and other brand-development and enhancement materials; arranging for public signage; conducting public relations and store-quality and operational-enhancement programs; on-site training of store personnel; and collecting and accounting for Brand Fund contributions, including paying taxes on Brand Fund contributions we receive. Although not a trust, we hold all contributions for the contributors' benefit and use them only for their intended purpose (described above). The Brand Fund may spend in any fiscal year more or less than all contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, invest any surplus for future use, and roll over unspent monies to the following year. We may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an unaudited annual statement of Brand Fund collections and costs and give you the statement upon written request. We may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant we select. We may incorporate the Brand Fund or operate it through a separate entity. The successor entity will have all of the rights and duties described here.

The Brand Fund is to maximize recognition of the Marks, increase patronage of Mellow Mushroom restaurants, and enhance a Mellow Mushroom restaurant customer's in-store and on-line experience. Although we try to use the Brand Fund to benefit all Mellow Mushroom restaurants, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Mellow Mushroom restaurants operating in that geographic area or that any Mellow Mushroom restaurant benefits directly or in proportion to its Brand Fund contribution. The Brand Fund will not be used specifically to develop materials and programs to solicit franchisees. However, materials and programs created with and paid for by Brand Fund contributions may reference the availability of franchises and related information. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may defer or reduce a franchisee's Brand Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will distribute all unspent monies on the date of termination to

franchisees, and to us and our affiliates, in proportion to their, and our, respective Brand Fund contributions during the preceding 12 months.

Besides your Brand Fund contributions, you must spend the minimum percentage of the Restaurant's Weekly Gross Sales that we require from time to time to advertise and promote the Restaurant locally. You currently must spend at least 1% of the Restaurant's Weekly Gross Sales on these activities. As noted above, the aggregate amount we may require you to spend to advertise, market, and promote the Restaurant during the franchise term (for Brand Fund contributions, local advertising, and advertising cooperatives) will not exceed, in the aggregate, 5% of the Restaurant's Weekly Gross Sales. We have the right to adjust (i.e., increase or decrease) the percentages among these three required categories of advertising expenditures at any time and from to time during the franchise term within the 5% cap. (Franchise Agreement – Section 11.B.)

You must send us periodic reports we request concerning your advertising, marketing, and promotional activities and expenses. All advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies we require. Before you use them, you must send us for approval samples of all advertising, promotional, and marketing materials we have not prepared or previously approved within the past 12 months. We may share those materials with the entire system. If you do not receive written disapproval within 15 days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials we have not approved or have disapproved. Advertising, promotional, and marketing materials include any information regarding us, you, or the Restaurant you plan to include on a website (if we allow you to establish a website). (Franchise Agreement – Section 11.B.)

There currently are no advertising cooperatives or franchisee advertising councils advising us on advertising policies. However, we may designate as a region a geographic area in which 2 or more Mellow Mushroom restaurants are located in order to establish an advertising cooperative ("Cooperative"). The Cooperative's members will include all Mellow Mushroom restaurants operating in that area. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine in advance. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop promotional materials for the Cooperative's area. If we establish a Cooperative for the geographic area in which your Restaurant is located, you must participate in the Cooperative as its governing documents require.

Besides your Brand Fund contributions, you must contribute to the Cooperative the amounts determined by a 2/3 vote of all Mellow Mushroom restaurant franchisees that are members of that Cooperative. If we operate Mellow Mushroom restaurants in a Cooperative's area, we may vote on Cooperative fees just like franchisees. Each franchisee will have one vote, no matter how many Mellow Mushroom restaurants that franchisee (or its affiliates) operates within the Cooperative's area. Cooperative contributions will count toward your local advertising obligation. However, the maximum amount you must contribute to the Cooperative depends on the amount of your then-current required Brand Fund contribution, as the aggregate amount we

may require you to spend to advertise, market, and promote the Restaurant during the franchise term may not exceed, in the aggregate, 5% of the Restaurant's Weekly Gross Sales. If you then must contribute the full 5% of the Restaurant's Weekly Gross Sales to the Brand Fund, we may not require any Cooperative contributions from you.

You must send us and the Cooperative any reports we require. The Cooperative will operate only to collect and spend Cooperative contributions. The Cooperative and its members may not use any advertising or promotional plans and materials without our prior written consent. We may form, change, dissolve, or merge any Cooperatives or franchisee advertising councils. While we need not prepare any financial statements for Cooperatives, we intend to keep records you may review upon request. (Franchise Agreement – Section 11.C.)

Franchise System Website

We and our affiliates may establish one or more websites (1) to advertise, market, and promote Mellow Mushroom restaurants, their products and services, the brand, and/or the Mellow Mushroom Restaurant franchise opportunity, (2) through which to operate on-line product-ordering and other fulfillment systems, and (3) for any other purposes we consider appropriate or necessary for the Mellow Mushroom System or other business activities in which we engage (each a "Franchise System Website"). If we establish a Franchise System Website, we may give you a separate interior webpage (accessible only through the Franchise System Website) referencing your Restaurant and/or otherwise allow you to participate in the Franchise System Website. You must give us the information and materials we request for you to participate in the Franchise System Website. By giving us information and materials, you represent they are accurate and not misleading and do not infringe another party's rights. We will own all intellectual property and other rights in the Franchise System Website, your webpage, and all information they contain (including the log of "hits" by visitors and any personal or business data visitors supply).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the Franchise System Website, including your webpage. We will update the information on your webpage, if any, or add information we approve as frequently as we deem appropriate. You must notify us whenever any information on your webpage changes or is not accurate. You must pay our then-current fee to participate in the various aspects of the Franchise System Website or as we otherwise require to maintain and operate the Franchise System Website's various features and functions (if, or to the extent, the Brand Fund does not pay these costs). We have final approval rights over all information on the Franchise System Website, including your webpage (if any). Our standards and specifications may regulate use and operation of the Franchise System Website.

We will maintain your webpage, if any, and otherwise allow you to participate in the Franchise System Website only while you are substantially complying with the Franchise Agreement and all system standards and specifications (including those for the Franchise System Website). If you are in material default of any obligation, we may temporarily suspend your participation in the Franchise System Website until you fully cure the default. We will permanently terminate your access to and participation in the Franchise System Website when the Franchise Agreement expires or is terminated.

All marketing and other materials you develop for the Restaurant must contain notices of the Franchise System Website's domain name(s). You may not develop, maintain, link to, or authorize any other website mentioning or describing you or the Restaurant or displaying any of the Marks. (Franchise Agreement – Section 11.D.)

Technology Systems

You must obtain a comprehensive point-of-sale technology system (which may include contactless payment solutions) for taking customer orders, recording sales, and running local reports. This system will include both front-of-the-house and back-office components and the equipment components and software necessary for you to accept and process online orders and our gift and loyalty cards and participate in our gift-card, customer-loyalty, affinity, and similar programs. You must use the technology system we periodically designate. (Franchise Agreement – Sections 7.H. and 8.J.)

You must acquire and use Aloha Table Service Point-of-Sale and back-of-house software, certain polling-data-warehousing software, and specified hardware. You must purchase software from our authorized Aloha dealer. Purchasing all required or recommended software and hardware costs from $30,000 to $50,000 if paid in a lump sum (this includes payment processing devices and their installation). You must buy an ongoing maintenance and support contract from Aloha, the annual cost of which currently is estimated to be between $275 and $650 per terminal and $200 to $400 per server, depending on the service contract. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates.

Alternatively, we may upon your request approve your acquisition of the Aloha Essentials Point-of-Sale subscription service so that you need not incur the initial capital requirements of purchasing the Aloha Point-of-Sale system outright. The one-time initial costs associated with payment processing devices and their installation (if you acquire the subscription service) range from $5,000 to $8,000. The ongoing monthly subscription fee (paid directly to the third-party vendor) currently ranges from $800 to $1,000 for the "fast-fine" fast-casual restaurant format and $1,000 to $1,300 for the "traditional" full-service restaurant format.

You must ensure that all operating-systems software is regularly maintained and updated according to the manufacturers' specifications and in compliance with Payment Card Industry (PCI) Compliance Standards. You must pay HCS an annual Aloha software membership fee of approximately $110 per terminal to keep its operating software updated to the latest version (for PCI Compliance Standards), unless you have opted with our approval for the Aloha Essentials monthly subscription service (in which case the costs of updates are encompassed in the monthly subscription fee). The Aloha Point-of-Sale server/computer cannot be used for web browsing, emailing, or similar activities. Therefore, you must obtain a laptop for the General Manager's use to perform day-to-day management functions.

For the "front-of-the-house," the Aloha system includes point-of-sale devices (the number of which may depend on the Restaurant's sales volume and size). Each point-of-sale device is itself a computer, incorporating a touch-screen entry panel, a central-processing unit, and software designed to provide a cash-register function. You also will need peripheral

equipment associated with the point-of-sale devices, including cash drawers, receipt printers, and remote printers for fountain and kitchen operations.

In the "back-office," the system facilitates restaurant-level reporting on sales, discounts, taxes, product-management, customer counts, guest-check averages, etc. You also will need a printer to generate reports and print menus for the bar and a high-speed communication device and internet service to transfer data. Other computer-related equipment you must buy includes cables and equipment to connect all point-of-sale devices to the back-office computer system, various power cables, and an uninterruptible power supply. We recommend you use a vendor approved by HGI and your point-of-sale system supplier to complete the electrical and communications cabling, as this can be critical to the system's ultimate reliability. You must protect the computer system from unauthorized access by, among other things, subscribing to a service we specify to install an appropriate firewall and monitor for third-party intrusion attempts. The one-time installation fee is approximately $500 to $700, and the ongoing system monitoring currently is approximately $120 to $150 per month. We must have unlimited, independent electronic access to all information you store on your computer system (other than for employee records, as you control exclusively your labor relations and employment practices).

You also must obtain and install a Kitchen Display System to display and route orders through the kitchen and to print labels for off-premises orders and for items to be stored within the Restaurant. The one-time initial costs for hardware (including installation) range from $14,000 to $18,000 for the "fast-fine" fast-casual restaurant format and from $14,000 to $22,000 for the "traditional" full-service restaurant format. Ongoing monthly software costs currently range from $150 to $200 for the "fast-fine" fast-casual restaurant format and from $200 to $250 for the "traditional" full-service restaurant format.

We may require you to obtain additional or substitute technology products (*e.g.*, hardware, software, and other technology systems). We may require you any time during the franchise term to obtain specific technology products and may modify specifications for and components of the technology system (including, if applicable, those for our gift-card and customer-loyalty programs). Modified technology product specifications and/or other technological developments or events might require you to purchase, lease, and/or license new or modified technology products and to obtain service and support for those products. Although we cannot estimate the technology system's future costs, and although those costs might not be fully amortizable over the remaining franchise term, you must obtain the technology products comprising these technology systems (or additions and modifications) and required service or support. Within 60 days after you receive notice from us, you must obtain the designated technology-system components. We may charge you a reasonable fee for modifying and enhancing proprietary software we license to you and for other technology-system-maintenance and support services we or our affiliates provide. If we or our affiliates license proprietary software to you, you must sign any Software License Agreement or similar document we or our affiliates prescribe to regulate your use of, and the parties' respective rights and responsibilities with, the software.

Restaurant Opening

We estimate it will be up to 18 months after you sign the Franchise Agreement before you open your Restaurant, but the interval depends on how much time you need to find and secure an acceptable site, the site's location and condition, the Restaurant's construction schedule, how much you must upgrade or remodel an existing location (or build a new building), the delivery schedule for equipment and supplies, delays in obtaining permits and licenses (including a liquor license), securing financing arrangements, completing training, and complying with local laws and regulations. You may not open the Restaurant for business until we acknowledge in writing that you, the Restaurant, the Qualified GM, and the Kitchen Manager are ready. However, you must open the Restaurant for business within 10 months after the date you sign the Restaurant's lease but no later than 18 months after the Franchise Agreement's effective date or, if earlier, by the date specified in any Development Rights Rider we and you signed. (Franchise Agreement – Section 7.A.)

Training

Before the Restaurant opens, we will provide initial training on operating a Mellow Mushroom restaurant to your Managing Owner and up to 2 Restaurant managers and/or assistant managers (including the potential Qualified GM). The "Qualified GM" is an approved, trained, and qualified General Manager who is hired to direct the Restaurant's on-site day-to-day operations. We will train all attendees for approximately 2 weeks at our training facility in Atlanta, Georgia and 3 weeks in a training Restaurant we designate (although training may be longer or shorter depending on the attendees' skills, experience, and needs). We may conduct some portions of training on-line or virtually. Your Managing Owner, the potential Qualified GM, and the Restaurant's other managers and/or assistant managers must complete initial training to our satisfaction and pass all quizzes and finals. Although we do not charge separately for this training, you must pay all travel and living expenses your Managing Owner and managerial employees incur.

You must replace a manager or assistant manager not qualified to hold this position (including a person unable to become a Qualified GM). (Franchise Agreement – Section 9.A.(1)) We will provide on-site support at the Restaurant for up to 3 weeks during its opening period. If necessary in our opinion, we will train one additional person during the first 30 days after the Restaurant opens. We will bear the cost of this training, although you must pay all related travel and living expenses. We will provide additional training at your request or if we think you or your managerial employees need it. You must pay for this training.

We expect training to occur after you sign the Franchise Agreement and while you develop the Restaurant. We plan to be flexible in scheduling training to accommodate our personnel, you, and your personnel. There currently are no fixed (*i.e.*, monthly or bi-monthly) training schedules. We use manuals and other training aids during the training program. There is no particular number of days before the Restaurant opens by which the Restaurant's managers must complete training. We provide the following training as of this disclosure document's issuance date:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
General			
Corporate Orientation	3	0	Atlanta, Georgia
Brand Development	8	0	Atlanta, Georgia
Operations			
Product Knowledge—Food	35	35	Atlanta, Georgia / Approved Training Restaurant
Product Knowledge—LBW	4	4	Atlanta, Georgia / Approved Training Restaurant
Restaurant Organization	2	4	Atlanta, Georgia / Approved Training Restaurant
Food Safety & Sanitation	4	4	Atlanta, Georgia / Approved Training Restaurant
Equipment Maintenance	4	4	Atlanta, Georgia / Approved Training Restaurant
Cost Controls & Analysis	8	8	Atlanta, Georgia / Approved Training Restaurant
Inventory & Ordering	3	12	Atlanta, Georgia / Approved Training Restaurant
Hospitality and Guest Satisfaction	12	12	Atlanta, Georgia / Approved Training Restaurant
Problem Resolution	3	5	Atlanta, Georgia / Approved Training Restaurant

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Point-of-Sale Training	6	12	Atlanta, Georgia / Approved Training Restaurant
Manager Functions	10	50	Atlanta, Georgia / Approved Training Restaurant
Off-Premises Sales	8	0	Atlanta, Georgia / Approved Training Restaurant
Personnel			
Vendor Relations	3	2	Atlanta, Georgia
Brand Standards	2	0	Atlanta, Georgia

Peter Baquet, our Director of Training, supervises training. Mr. Baquet has worked in the Mellow Mushroom system since June 2013 as a Senior Field Coach and Assistant Director of Training. His involvement with our brand over the years has given him the experience necessary to supervise all areas of training. The rest of our training team, who have worked with us or at company-owned Mellow Mushroom restaurants for various lengths of time, also lead all hands-on and instructor-led training; all of them have adequate training and appropriate knowledge to facilitate training in the areas they will teach based on their involvement with our system and work at Mellow Mushroom restaurants.

If we determine after the Restaurant opens that your Managing Owner, managers, or assistant managers, including the Qualified GM, require additional training in any area of operations, or if you hire an additional or replacement manager or assistant manager and we determine that you cannot train that person adequately, we may designate the training that must be completed to our satisfaction. Training for additional or replacement managers or assistant managers lasts at least 2 weeks. You must pay all expenses incurred during this additional training. (Franchise Agreement – Section 9.A.(2))

If your proposed Restaurant is the 3rd Mellow Mushroom Restaurant owned by you and/or your affiliates, you must hire or appoint (i) a full-time Area Manager to oversee all of your and your affiliates' Mellow Mushroom Restaurant operations and (ii) a dedicated marketing resource to manage the marketing activities and materials of your and your affiliates' Mellow Mushroom restaurants. You must identify the proposed Area Manager candidate in advance. The Area Manager may not also be a Restaurant-level manager performing the typical duties of a single Restaurant manager. The Area Manager must attend and complete to our satisfaction our

required training program within 60 days after his or her hire date. You must pay our then-current training charge and all related travel and living expenses for Area Manager training.

You may not open the Restaurant for business (if it is the 3rd Mellow Mushroom Restaurant owned by you and/or your affiliates) unless your Area Manager is in position and has successfully completed all required training. You and your affiliates must have a full-time Area Manager for every 3 to 6 Mellow Mushroom restaurants you and they own. In other words, you and your affiliates must have 1 Area Manager for no less than every 3 Mellow Mushroom restaurants you own, and the Area Manager may not oversee more than 6 Mellow Mushroom restaurants. Once you and your affiliates own 7 Mellow Mushroom restaurants, you must hire or appoint a 2nd Area Manager, and so on.

ITEM 12
TERRITORY

Franchise Agreement

You will operate the Restaurant at a specific location we first must accept. (We do not "approve" sites; we "accept" them under the circumstances described in Item 11.) You will have an exclusive territory (the "Exclusive Territory") equal to a 3-mile radius from the Restaurant's front entrance within which we will not locate or allow another franchisee to locate another Mellow Mushroom restaurant. You may not operate the Restaurant from another site without our prior written consent, although you may deliver the Restaurant's products outside the Exclusive Territory if you follow our standards and specifications (including engaging with third-party-food-ordering and delivery systems only in the manner we permit). However, you may not use other distribution channels, such as Internet and catalog sales (although you may advertise on the Internet with our prior written consent if you follow our required standards, specifications, and operating procedures). You may advertise and market your Restaurant outside the Exclusive Territory.

Whether or not we will allow relocation depends on circumstances at the time and what is in the Restaurant's and our system's best interests. You may not relocate the Restaurant to a new site without our prior written consent, which we may grant or deny as we deem best. We have the right to condition relocation approval on (a) the new site and its lease being acceptable to us, (b) your reimbursing any costs we incur during the relocation process, (c) your confirming that the Franchise Agreement remains in effect and governs the Restaurant's operation at the new site with no change in the franchise term or, at our option, your signing our then-current form of franchise agreement to govern the Restaurant's operation at the new site for a new franchise term, (d) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (e) your continuing to operate the Restaurant at its original site until we authorize its closure, and (f) your taking within the timeframe we specify, and at your own expense, all action we require to de-brand and de-identify the Restaurant's former premises so it no longer is associated in any manner (in our opinion) with the Mellow Mushroom System and the Marks.

Except as described below under "Development Rights Rider," you have no options, rights of first refusal, or similar rights to acquire additional franchises within your Exclusive Territory or in contiguous territories.

While no other Mellow Mushroom restaurant will be physically located within your Exclusive Territory, we (and our affiliates) otherwise are not restricted in the business activities in which we may engage. We retain the right to (a) establish, and allow other franchisees to establish, Mellow Mushroom restaurants at any location outside the Exclusive Territory (including at the boundary of the Exclusive Territory) and on any terms and conditions we deem appropriate, (b) allow Mellow Mushroom restaurants located outside the Exclusive Territory to deliver products to customers located inside the Exclusive Territory, (c) sell products and services identical or similar to, or dissimilar from, the products and services your Restaurant sells, whether identified by the Marks or other trademarks or service marks, through retail stores (other than Mellow Mushroom restaurants) located within the Exclusive Territory and through any other distribution channels located and/or operating within the Exclusive Territory (including the Internet, catalog sales, telemarketing, and other direct marketing), and (d) engage in all other business activities not expressly prohibited by the Franchise Agreement. We need not compensate you if we engage in these activities.

Although we have the right to do so (as noted above), we have not established (and have no current plans to establish) other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

Continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency. We may not alter the definition of your Exclusive Territory without your consent (except when you acquire a successor franchise, in which case we also may eliminate the Exclusive Territory).

Development Rights Rider

You may (if you qualify) develop and operate a number of Mellow Mushroom restaurants within a specific area (the "Area"). We and you will identify the Area in the Development Rights Rider before signing it. The Area typically is a city, cities, or counties. We base the Area's size primarily on the number of Mellow Mushroom restaurants you agree to develop, demographics, and site availability. We and you will negotiate the number of Restaurants you must develop, and the deadlines for development, to keep your development rights. We and you then will complete the schedule in the Development Rights Rider before signing it. While the Development Rights Rider is in effect, we (and our affiliates) will not establish, or grant others the right to establish, other Mellow Mushroom restaurants having their physical locations within the Area. You have exclusive rights in your Area to Mellow Mushroom restaurants. There are no other restrictions on us (or our affiliates). You may not develop or operate Mellow Mushroom restaurants outside the Area. We may terminate the Development Rights Rider if you do not satisfy your development obligations. We will accept proposed locations for your additional Restaurants only if they meet our then-current standards for Restaurant sites.

Despite the development schedule under the Development Rights Rider, we may delay your development of additional Mellow Mushroom restaurants within the Area if we believe, when you apply for the next Restaurant, that you are not yet operationally, managerially, or otherwise prepared (given the time that has passed since you developed and opened your most recent Mellow Mushroom restaurant) to develop, open, and/or operate the additional Restaurant according to our standards and specifications. We may delay additional development if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, you have no options, rights of first refusal, or similar rights to acquire additional franchises within your Area or in contiguous territories, and continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration, or other contingency. We may not alter your Area during the Development Rights Rider's term.

ITEM 13
TRADEMARKS

You may use our Marks in operating the Restaurant. Our primary Marks appear in the table below. Except for the final 2 Marks in the table, all Marks are registered on the Principal Register of the United States Patent and Trademark Office (USPTO). We applied to register the final 2 Marks in the table on the USPTO based on our intent to use the Marks. We intend to make all required affidavit and renewal filings for each Mark if the Mark is still important for our system when the filing is due.

MARK	REGISTRATION NUMBER (R) OR SERIAL NUMBER (S)	REGISTRATION DATE (R) OR APPLICATION DATE (A)	AFFIDAVITS OF USE AND INCONTESTA-BILITY FILED?	REGISTRATION RENEWED?
MELLOW MUSHROOM PIZZA BAKERS	4,742,860 (R)	05/26/2015 (R)	Yes	Yes
Shroom University	3,295,257 (R)	09/18/2007 (R)	Yes	Yes
MELLOW MUSHROOM	4,108,305 (R) 4,108,307 (R)	03/06/2012 (R) 03/06/2012 (R)	Yes Yes	Yes Yes
	4,219,216 (R) 4,258,646 (R)	10/02/2012 (R) 12/11/2012 (R)	Yes Yes	Yes Yes

MARK	REGISTRATION NUMBER (R) OR SERIAL NUMBER (S)	REGISTRATION DATE (R) OR APPLICATION DATE (A)	AFFIDAVITS OF USE AND INCONTESTA-BILITY FILED?	REGISTRATION RENEWED?
	4,227,276 (R) 4,227,277 (R)	10/16/2012 (R) 10/16/2012 (R)	Yes Yes	Yes Yes
Mellow Mushroom	98256787 (S)	11/06/2023 (A)	N/A	N/A
	98256791 (S)	11/06/2023 (A)	N/A	N/A

We do not yet have federal registrations for the final 2 Marks in the table above. Therefore, those trademarks do not have many legal benefits and rights as a federally-registered trademark. If our right to use either trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. However, as noted above, we already have a federal registration for the "MELLOW MUSHROOM" Mark.

You must follow our rules when you use the Marks. Unless we authorize you to do so, you may not use any Mark (1) as part of your corporate or legal business name, (2) with modifying words, terms, designs, or symbols (except for those we license to you), (3) in selling unauthorized products or services, (4) as part of any domain name, electronic address, or search engine you maintain on any electronic media, or otherwise in connection with a website, or (5) in any other way we have not expressly authorized in writing.

There are no currently-effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. No agreement limits our right to use or license the Marks in a manner material to the franchise.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person's claim of any rights in any Mark. You may not communicate with

anyone other than us and our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we think best (or no action if we feel none is necessary) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from the infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any action that, in our attorneys' opinion, are necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse your direct expenses to change your Restaurant's signs, your lost revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

We will reimburse your damages incurred in, and expenses in responding to, any claim or proceeding disputing your authorized use of any Mark if you timely notify us of the claim or proceeding and have complied with the Franchise Agreement. We may, at our option, defend and control the defense of any proceeding stemming from your authorized use of any Mark.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal Marks in any state.

The Development Rights Rider does not grant you the right to use the Marks. These rights arise only under Franchise Agreements you sign with us.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We claim copyrights in our Operations Manual, menu designs, trade dress, advertising and marketing materials, materials on our admin site, Franchise System Website, and similar items relating to Mellow Mushroom restaurants. We have filed our manuals with the United States Copyright Office, as listed below. We have not filed the other copyrights with the United States Copyright Office but need not do so to protect them. You may use these items as we specify only while operating your Restaurant. We intend to renew our copyrights if the subject matter is still important to our system.

Title	Filing Date	Registration Number
Bar Book	09/17/2010	TXu001718386
Operations Manual	09/17/2010	TXu001718288

Title	Filing Date	Registration Number
Mellow Mushroom Host	09/17/2010	TXu001718289
Mellow Mushroom Front of the House Manual	09/17/2010	TXu001729496
Mellow Mushroom Back of the House Manual	09/17/2010	TXu001718383
Mellow Mushroom Shroom U Manual	09/17/2010	TXu001718381

There currently are no effective determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreements limit our right to use or allow others to use copyrighted materials. We do not actually know of any infringing uses of copyrights that could materially affect your use of copyrighted materials in any state. We need not protect or defend copyrights, although we intend to do so if this action is in our system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a copyright proceeding.

Our Operations Manual and other materials contain our trade secrets and other confidential information. These include recipes; proprietary products; site-selection criteria; specifications for Restaurant sites; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Mellow Mushroom restaurants; marketing and advertising programs for Mellow Mushroom restaurants; knowledge of specifications for and suppliers of certain fixtures, furniture, equipment, furnishings, signs, materials, and supplies; research and development programs; and knowledge of the operating results and financial performance of Mellow Mushroom restaurants. Any reproductions, notes, summaries, or similar documents relating to our trade secrets and other confidential information, and any files, memoranda, reports, price-lists, customer lists, and other documents concerning the Mellow Mushroom system, will be our property.

All ideas, concepts, techniques, or materials concerning a Mellow Mushroom Restaurant, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be considered our sole and exclusive property, part of the Mellow Mushroom system, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire," you assign ownership of and all related rights to that item to us and must take whatever action (including signing assignment or other

documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our trade secrets and other confidential information in an unauthorized manner and must take reasonable steps to prevent their disclosure to others.

The Development Rights Rider does not grant you the right to use any intellectual property. These rights arise only under Franchise Agreements you sign with us.

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

During the entire franchise term, one of your owners must be designated your "Managing Owner," responsible personally for devoting his or her full time and best efforts to the Restaurant's construction, development, and operation and to whom we may give direction, and from whom we may receive feedback, on matters other than those relating to labor relations and employment practices. You will identify your Managing Owner in the Franchise Agreement before signing it. The Managing Owner must complete our training program. If the Managing Owner transfers his or her ownership interest in you (with our approval) during the franchise term, you must designate a new Managing Owner (whom we must approve), and have that new Managing Owner attend and satisfactorily complete our full training program, within the timeframe we specify.

Your Restaurant must at all times be under the direct supervision of your Managing Owner or a Qualified GM who has successfully completed training. The Managing Owner and/or the Qualified GM must devote sufficient time and attention to perform their duties. Restaurant employees are under your control in implementing and maintaining Mellow Mushroom System standards at the Restaurant during operating hours. (Item 11 discusses our Area Manager and dedicated marketing resource requirements if you and/or your affiliates operate 3 or more Restaurants.)

You may designate any number of assistant managers. You may replace any manager or assistant manager at any time if you notify us of the change when it occurs. We may require new managers or assistant managers (including a potential Qualified GM) to complete our training program. Managers and assistant managers, including the Qualified GM, need not have an ownership interest in the Restaurant or you but must agree in writing to preserve confidential information to which they have access and not to compete with the Mellow Mushroom system. We do not control the terms or forms of employment agreements you use with Restaurant employees and are not responsible for your labor relations or employment practices. You have sole responsibility and authority for your labor relations and employment practices.

If you are a corporation, limited liability company, or other entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, all monetary and non-monetary obligations in the Franchise Agreement, including the confidentiality and non-compete obligations. This "Guaranty and Assumption of Obligations" is part of the Franchise Agreement. If we do not require an owner with a small investment in you to sign the full Guaranty, that owner still must

comply with all non-monetary obligations in the Franchise Agreement as if he or she were the franchisee, including the confidentiality and non-compete obligations. Your officers and directors also must comply with this requirement. Our standard "Principal's Agreement" is Exhibit E. We do not require a spouse to sign a guarantee unless he or she is an owner of the franchisee entity.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all products and services we periodically require for Mellow Mushroom restaurants. You may not offer any products or services we have not authorized. Our standards may regulate required or authorized products and services, product and service categories, and product-inventory requirements. We periodically may change required and/or authorized products and services and product and service categories. There are no limits on our right to do so. We may change such products and services from time to time and from market to market based on numerous considerations. We have the right, to the fullest extent allowed by law, to establish maximum, minimum, tiered, or other prices for your products and services. There are no restrictions on the customers with whom your Restaurant may do business at its premises. You must follow our standards and specifications for product delivery. You may not sell any warehouse item (i.e., art and design-related items obtained from our warehouse) that is incorporated into the art package and must sign a Bill of Sale itemizing all warehouse items within the Restaurant.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
(a) Length of the franchise term	3.A. of Franchise Agreement, 2 and 3 of Development Rights Rider, and 6 of Successor Franchise Rider	15 years (you must operate Restaurant for full term unless Franchise Agreement is properly terminated). If you have renewal or successor franchise rights and are exercising them because your existing franchise soon will expire, the renewal / successor franchise term is 5 years. Development Rights Rider term depends on development obligations.

Provision		Section in franchise or other agreement	Summary
(b)	Renewal or extension of the term	3.B. of Franchise Agreement and 6 of Successor Franchise Rider	If you are in good standing, you may acquire one successor franchise for 5 years on our then-current terms. No renewal or extension of Development Rights Rider. If you have renewal or successor-franchise rights and are exercising them for first time because your existing franchise soon will expire, you have no additional renewal/successor-franchise rights after the next term expires.
(c)	Requirements for franchisee to renew or extend	3.B. of Franchise Agreement and 6 of Successor Franchise Rider	Maintain possession of premises or find acceptable substitute premises, remodel Restaurant under our then-current standards (including updated art package based on Restaurant's then-current square footage), sign new agreement and other documents (including release if state franchise law allows), and pay fee (see Item 6). Terms of our new franchise agreement you sign for successor franchise may differ materially from any and all of those contained in your Franchise Agreement (including no Exclusive Territory or a modified Exclusive Territory).
(d)	Termination by franchisee	20.A.(1) of Franchise Agreement	If we breach Franchise Agreement and do not cure default after notice from you; you may not terminate without cause.
(e)	Termination by franchisor without cause	Not Applicable	We may not terminate your franchise (or development rights) without cause.

Provision	Section in franchise or other agreement	Summary
(f) Termination by franchisor with cause	20.A.(2) of Franchise Agreement and 8 of Development Rights Rider	We may terminate Franchise Agreement (and development rights) only if you or your owners commit one of several violations. While termination of the Development Rights Rider does not impact any then-effective franchise agreement, termination of the Franchise Agreement entitles us to terminate the Development Rights Rider.
(g) "Cause" defined – curable defaults	20.A.(2) of Franchise Agreement	You have time mandated by law to cure health, safety, or sanitation law violations, 7 days to cure monetary defaults, and 15 days to cure operational defaults and other defaults not listed in (h) below. While termination of the Development Rights Rider does not impact any then-effective franchise agreement, termination of the Franchise Agreement entitles us to terminate the Development Rights Rider.
(h) "Cause" defined – non-curable defaults	20.A.(2) of Franchise Agreement and 8 of Development Rights Rider	Non-curable defaults include: material misrepresentations or omissions; your landlord's refusal to approve the Restaurant's proposed plans or any modifications of those plans that we approved; failure to find and lease acceptable site, or to open Restaurant for business, by contractual deadlines; failure to complete initial training; abandonment; failure to operate Restaurant for 3 or more consecutive business days; unapproved transfers of control of Restaurant's operation; conviction of or guilty plea to a felony; interference with our inspection rights; purchasing or using certain unapproved products;

Provision	Section in franchise or other agreement	Summary
		dishonest, immoral, or unethical conduct; unauthorized assignment of Franchise Agreement, Restaurant, or ownership interest; you default under another franchise agreement between us and you; failure to transfer on death or disability; loss of right to occupy Restaurant's site; unauthorized use or disclosure of Operations Manual, trade secrets, or confidential information; failure to pay taxes; understating Restaurant's Weekly Gross Sales more than 3 times; violation of anti-terrorism laws; repeated defaults (even if cured); assignment for benefit of creditors; and appointment of a trustee or receiver. We may terminate Development Rights Rider if you do not meet development schedule or other obligations; if Franchise Agreement or another franchise agreement between us and you (or your affiliated entity) is terminated by us for cause or by you for any or no reason; or we have delivered formal notice of default to you (or your affiliated entity) under Franchise Agreement or another franchise agreement (whether or not default is cured). However, termination of the Development Rights Rider does not impact any then-effective franchise agreement.
(i) Franchisee's obligations on termination/ nonrenewal	20.B. and 20.C. of Franchise Agreement	Obligations include paying outstanding amounts; complete de-identification; returning confidential information and materials or items reflecting or embodying characters associated with our system; assigning telephone and other numbers; and assigning or cancelling any electronic address, domain name, search engine,

Provision	Section in franchise or other agreement	Summary
		or website associating you with us or the Marks (also see (o) and (r) below); we may control de-identification process if you do not voluntarily take required action; we may assume Restaurant's management while deciding whether to buy Restaurant's assets.
(j) Assignment of contract by franchisor	16.A. of Franchise Agreement	No restriction on our right to assign; we may assign without your approval.
(k) "Transfer" by franchisee –defined	16.B. of Franchise Agreement	Includes transfer of Franchise Agreement, sale of Restaurant's assets, and transfer of ownership interest in you or entity that controls you.
(l) Franchisor approval of transfer by franchisee	16.C. of Franchise Agreement and 9 of Development Rights Rider	We must approve all transfers; no transfer without our prior written consent. Your development rights under Development Rights Rider are not assignable at all.
(m) Conditions for franchisor approval of transfer	16.C. of Franchise Agreement	When there is transfer of non-controlling ownership interest in you or your owners: new owner qualifies and submits bona-fide offer; new owner does not own or perform services for competitive business; you, transferring owner(s), proposed transferee, and its owners sign required documents (including release if state franchise law allows); and you pay us transfer fee (see Item 6). When there is transfer of Franchise Agreement or controlling ownership interest in you or in entity owning a controlling ownership interest in you, we will not unreasonably withhold our approval if: new franchisee qualifies, submits bona-fide offer,

Provision	Section in franchise or other agreement	Summary
		and is not restricted by another agreement from pursuing or completing the transfer; you pay us all amounts due and submit all reports; you have not defaulted during previous 90 days; new franchisee (and its owners and affiliates) does not engage in a competitive business; lease transferred; transfer fee paid (see Item 6); we approve purchase price; you subordinate amounts due to you; you de-identify; you sign release (if state franchise law allows); you correct existing Restaurant deficiencies of which we notify you; transferee agrees to upgrade and remodel Restaurant within specified timeframe after transfer; and at our option you or transferee signs our then-current franchise agreement and other documents for term equal to Franchise Agreement's unexpired term (any and all terms of that franchise agreement may differ materially from your Franchise Agreement, except Weekly Royalty Fee percentage charged to transferee will be the same percentage as in your Franchise Agreement and Exclusive Territory size will remain same under transferee's franchise agreement for remainder of unexpired term) (also see (r) below).
(n) Franchisor's right of first refusal to acquire franchisee's business	16.G. of Franchise Agreement	We may match any offer for your Restaurant or ownership interest in you or entity that controls you.
(o) Franchisor's option to purchase franchisee's business	20.D. of Franchise Agreement	We may buy Restaurant and its site at fair market value after Franchise Agreement is terminated or expires (without renewal).

Provision		Section in franchise or other agreement	Summary
(p)	Death or disability of franchisee	16.E. of Franchise Agreement	Assignment of Managing Owner's ownership interest in you to approved party within 9 months; we may manage Restaurant until there is a Qualified GM in place.
(q)	Non-competition covenants during the term of the franchise	18.A. of Franchise Agreement	No diverting business and no ownership interest in, or performing services for, competitive business anywhere ("competitive business" means any restaurant or food service business featuring pizza as a primary or significant menu item or an entity granting franchises or licenses to operate that type of business; "primary" or "significant" means either that (i) business derives 10% or more of its revenue from selling pizza, or (ii) 10% or more of business' menu consists of pizza).
(r)	Non-competition covenants after the franchise is terminated or expires	18.B. of Franchise Agreement	No ownership interest in, or performing services for, competing business for 2 years at Restaurant's site or within 10 miles of Restaurant's site (same restrictions apply after transfer).
(s)	Modification of the agreement	23.C. of Franchise Agreement	No modifications generally, but we may change Operations Manual and our standards, specifications, and operating procedures.
(t)	Integration/merger clause	23.C. of Franchise Agreement	Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the Franchise Agreement or this franchise disclosure document may not be enforceable. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in this franchise disclosure document.

Provision	Section in franchise or other agreement	Summary
(u) Dispute resolution by arbitration or mediation	Not Applicable	Our Franchise Agreement does not contain this provision.
(v) Choice of forum	23.J. of Franchise Agreement	Litigation generally must be in courts closest to where we have our principal business address at time the action is commenced (it currently is in Atlanta, Georgia) (subject to state law).
(w) Choice of law	23.I. of Franchise Agreement	Except for federal law and state non-competition law, Georgia law applies (subject to state law).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

This historical financial performance representation discloses actual average, median, and high/low annual and weekly[1] Gross Sales information during a full annual fiscal period—from September 25, 2023, through September 29, 2024 (the "2024 Measured Period")—for all 150 franchised Mellow Mushroom restaurants that operated during the entire 2024 Measured Period

[1] Average annual Gross Sales for all franchised Mellow Mushroom restaurants are calculated by dividing by 150 the total Gross Sales during the 2024 Measured Period of all 150 franchised restaurants that were open during the entire 2024 Measured Period. Average weekly Gross Sales for all franchised Mellow Mushroom restaurants then are calculated by further dividing average annual Gross Sales by 53. Median average annual and weekly Gross Sales are the middle annual and weekly Gross Sales during the 2024 Measured Period of all 150 franchised restaurants that were open during the entire 2024 Measured Period, with an equal number of restaurants with annual and weekly Gross Sales above and below that figure. The average annual and weekly Gross Sales for both the top 25% performing restaurants and the bottom 25% performing restaurants of the 150 franchised Mellow Mushroom restaurants are calculated in the same manner but only for the number of restaurants falling within each quartile.

(all of which are located in the United States).[2] Restaurants are included even if their ownership changed from one franchisee to another franchisee during that time period. This historical financial performance representation also discloses actual average, median, and high/low annual and weekly Gross Sales information during the 2024 Measured Period for the franchised Mellow Mushroom restaurants falling within both the top 25% performing restaurants and the bottom 25% performing restaurants of the 150 franchised Mellow Mushroom restaurants.

We obtained the Gross Sales information for the 2024 Measured Period by directly polling the point-of-sale systems in the franchised restaurants. The 150 franchised restaurants open and operating during the entire 2024 Measured Period whose Gross Sales are reported below are substantially similar to the traditional restaurant franchises we currently offer, and have offered for years, in terms of products and services. They are traditional "brick and mortar," full-service (i.e., with wait staff) Mellow Mushroom restaurants operated at "free-standing" or in-line locations and have prominent exterior and interior branding. These restaurants average approximately 5,300 square feet in size. As of the end of the 2024 Measured Period, the 150 franchised restaurants had been open for an average of approximately 173 months. The longest-operating restaurant had been open for approximately 385 months, and the shortest-operating restaurant had been open for approximately 22 months as of the end of 2024 Measured Period. All but 2 of the 150 restaurants serve alcoholic beverages (the remaining 2 restaurants serve only beer and wine).

Gross Sales are defined in our Franchise Agreement as the total revenue a franchisee derives from its restaurant during each one-week period from all sales of food, goods, wares, merchandise, and services, whether for cash, check, credit, or otherwise, including sales and services where the orders originate at and are accepted by the franchisee in the restaurant, though delivery or performance is made from or at any other place, or received or billed at or from the restaurant. Gross Sales do not include taxes collected from customers or customer refunds and rebates (and are net of promotions and comps).

Excluded from this financial performance representation are the results of (1) six franchised restaurants that opened during the 2024 Measured Period and therefore were not open for operation during the entire 2024 Measured Period, (2) two franchised restaurants that permanently closed during the 2024 Measured Period and therefore were not open for operation during the entire 2024 Measured Period, (3) five franchised restaurants that were closed for remodeling for an average of one week during the 2024 Measured Period, and (4) one franchised restaurant that we reacquired during the 2024 Measured Period and therefore was not a franchised restaurant during the entire 2024 Measured Period.

[2] The 2024 Measured Period was a 53-week fiscal year rather than our typical 52-week fiscal year.

Annual and Weekly Gross Sales Information for 2024 Measured Period for All 150 Franchised Restaurants

	Annual Gross Sales ($)	Weekly Gross Sales ($)
Average	2,683,567	50,633
Median	2,591,838	48,903
High	6,085,755	114,826
Low	954,285	18,005
Total Number of Restaurants	150	150
Number Exceeding Average	68	68
Percentage Exceeding Average	45%	45%

Annual and Weekly Gross Sales Information for 2024 Measured Period for Top 25% of 150 Franchised Restaurants

	Annual Gross Sales ($)	Weekly Gross Sales ($)
Average	3,825,815	72,185
Median	3,598,571	67,898
High	6,085,755	114,826
Low	3,073,195	57,985
Total Number of Restaurants	38	38
Number Exceeding Average	15	15
Percentage Exceeding Average	39%	39%

Annual and Weekly Gross Sales Information for 2024 Measured Period
for Bottom 25% of 150 Franchised Restaurants

	Annual Gross Sales ($)	Weekly Gross Sales ($)
Average	1,755,658	33,126
Median	1,862,452	35,141
High	2,097,656	39,578
Low	954,285	18,005
Total Number of Restaurants	38	38
Number Exceeding Average	22	22
Percentage Exceeding Average	58%	58%

The Gross Sales numbers reported above for the 2024 Measured Period do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the weekly Gross Sales figures to obtain your net income or profit. You should independently investigate the costs and expenses you will incur in operating your Mellow Mushroom restaurant. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

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

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Michael Clock or Charles Kevin Bridges, 150 Great Southwest Parkway, Atlanta, Georgia 30336, (404) 505-2806, the Federal Trade Commission, and the appropriate state regulatory state agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

All year-end numbers appearing in the tables below are as of September 30 for each year. "Company-owned Outlets" are operated by our subsidiaries.

Table No. 1

Systemwide Outlet Summary
For years 2022 to 2024

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	169	164	-5
	2023	164	158	-6
	2024	158	161	+3
Company-Owned	2022	4	4	0
	2023	4	3	-1
	2024	3	4	+1
Total Outlets	2022	173	168	-5
	2023	168	161	-7
	2024	161	165	+4

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Alabama	2022	3
	2023	0
	2024	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Florida	2022	1
	2023	0
	2024	4
Georgia	2022	0
	2023	1
	2024	1
South Carolina	2022	1
	2023	3
	2024	1
Total	2022	5
	2023	4
	2024	6

Table No. 3

Status of Franchised Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tions-Other Reasons	Col. 9 Outlets at End of the Year
Alabama	2022	15	0	1	1	0	0	13
	2023	13	0	0	0	0	1	12
	2024	12	1	0	0	0	0	13
Arizona	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tions-Other Reasons	Col. 9 Outlets at End of the Year
Arkansas	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	22	0	0	1	0	1	20
	2023	20	0	0	0	0	0	20
	2024	20	3	0	0	0	0	23
Georgia	2022	42	2	0	1	0	0	43
	2023	43	0	0	0	0	0	43
	2024	43	1	0	0	0	0	44
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Iowa	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Kentucky	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	1	5
	2024	5	0	0	0	0	0	5
Louisiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Missouri	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tions-Other Reasons	Col. 9 Outlets at End of the Year
New Jersey	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
North Carolina	2022	20	0	0	0	0	0	20
	2023	20	0	0	0	0	1	19
	2024	19	1	0	0	0	0	20
Ohio	2022	4	0	0	0	0	0	4
	2023	4	0	0	1	0	0	3
	2024	3	0	0	0	0	0	3
South Carolina	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	0	0	14
	2024	14	0	0	0	0	0	14
Tennessee	2022	13	0	0	0	0	0	13
	2023	13	0	0	1	0	1	11
	2024	11	0	0	0	1	0	10
Texas	2022	8	0	0	0	0	2	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
Virginia	2022	12	1	0	0	0	0	13
	2023	13	0	0	0	0	0	13
	2024	13	0	0	0	0	0	13
Totals	2022	169	3	1	3	0	4	164
	2023	164	1	0	2	0	5	158
	2024	158	6	0	0	1	2	161

Table No. 4

Status of Company-Owned Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Colorado	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Georgia	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Nebraska	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Tennessee	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
Virginia	2022	1	0	0	0	0	1
	2023	1	0	0	1	0	0
	2024	0	0	0	0	0	0
Totals	2022	4	0	0	0	0	4
	2023	4	0	0	1	0	3
	2024	3	0	1	0	0	4

Table No. 5

Projected Openings as of September 30, 2024

Column 1 State	Column 2 Franchise Agreements Signed But Restaurant Not Opened	Column 3 Projected New Franchised Restaurants In The Next Fiscal Year	Column 4 Projected New Company-Owned Restaurants In The Next Fiscal Year
North Carolina	1	0	0
Total	1	0	0

Exhibit F lists the names of our Mellow Mushroom restaurant franchisees (operational and non-operational) and the addresses and telephone numbers of their restaurants as of September 30, 2024. Exhibit F also identifies the Mellow Mushroom restaurant franchisees who (i) had an outlet terminated, cancelled, or not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement from October 1, 2023, to September 30, 2024, or (ii) had not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisees have signed confidentiality clauses during the last 3 fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Mellow Mushroom system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

For information about the Product Innovation and Enhancement Committee ("PIE COMM") we created in 2014, of which several franchisees are members, please contact its current chairperson Elizabeth Brasch (see Item 2) at our principal business address (PIE COMM does not have its own contact address or telephone number). There are no other trademark-specific franchisee organizations associated with the Mellow Mushroom system.

ITEM 21
FINANCIAL STATEMENTS

Exhibit A is our audited financial statements for the fiscal years ended September 30, 2024, 2023, and 2022, our unaudited consolidated balance sheet as of December 31, 2024, and our unaudited consolidated statement of earnings for the 3 months ended December 31, 2024.

ITEM 22
CONTRACTS

The following agreements/documents are exhibits:

(a) Franchise Agreement – Exhibit B

(b) Principal's Agreement – Exhibit E

(c) Franchisee Representations – Exhibit G

(d) Successor Franchise Rider to Franchise Agreement (including form of release we currently use in connection with renewals and transfers) – Exhibit H

(e) State Riders to Franchise Agreement – Exhibit I

(f) Development Rights Rider to Franchise Agreement — Exhibit J

ITEM 23
RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

EXHIBIT A

FINANCIAL STATEMENTS

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Financial Statements

September 30, 2024 and 2023

BENNETT THRASHER LLP
Better Together

Independent Auditor's Report

To the Board of Directors and Stockholders of
Home-Grown Industries of Georgia, Inc. and Subsidiaries

Opinion

We have audited the accompanying financial statements of Home-Grown Industries of Georgia, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of operations, changes in stockholder's deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home-Grown Industries of Georgia, Inc. and Subsidiaries as of September 30, 2024 and 2023, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BENNETT THRASHER LLP

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Bennett Thrasher LLP

January 21, 2025

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Balance Sheets
September 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 13,343,482	$ 16,603,164
Accounts receivable	2,230,606	3,768,795
Inventories	816,411	793,691
Prepaid expenses and other current assets	874,061	365,604
Total current assets	17,264,560	21,531,254
Property and equipment, net	11,144,979	10,669,803
Operating lease right-of-use assets	5,096,629	3,199,454
Finance lease right-of-use assets	288,626	210,731
Goodwill, net	278,618	334,342
Other assets	1,359,687	1,540,622
Total assets	$ 35,433,099	$ 37,486,206
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 4,358,306	$ 3,838,567
Current portion of note payable	92,230	88,623
Accounts payable and accrued expenses	7,491,696	5,650,443
Current portion of operating lease liabilities	725,927	589,487
Current portion of finance lease liabilities	75,874	42,595
Current portion of deferred revenue	1,793,857	2,130,800
Total current liabilities	14,537,890	12,340,515
Long-term debt, net of current portion and deferred loan costs	16,858,589	25,610,208
Note payable, net of current portion	337,483	429,713
Deferred revenue, net of current portion	1,591,867	3,291,516
Operating lease liabilities, net of current portion	4,792,346	2,740,787
Finance lease liabilities, net of current portion	222,507	169,453
Total liabilities	38,340,682	44,582,192
Commitments and contingencies (Note 7)		
Stockholders' Deficit		
Common stock, no par value; 1,000,000 shares authorized; 633 shares issued and outstanding at September 30, 2022 and 2021	314,242	314,242
Notes receivable from stockholders	-	(1,059,998)
Accumulated deficit	(3,221,825)	(6,350,230)
Total stockholders' deficit	(2,907,583)	(7,095,986)
Total liabilities and stockholders' deficit	$ 35,433,099	$ 37,486,206

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Operations
For the Years Ended September 30, 2024 and 2023

	2024	2023
Revenues:		
Restaurant sales	$ 7,602,816	$ 8,303,333
Franchise royalties, advertising, and fees	36,474,409	34,808,855
Commissary sales	18,662,289	19,277,763
Total revenues	62,739,514	62,389,951
Costs and expenses:		
Restaurant operating costs:		
Cost of sales	2,356,861	2,560,510
Operating	5,430,093	6,224,418
Corporate operating costs	42,825,538	39,170,032
Total costs and expenses	50,612,492	47,954,960
Income from operations	12,127,022	14,434,991
Other income (expense):		
Interest income	442,604	197,331
Interest expense	(2,178,591)	(1,912,187)
Impairment charge	(343,468)	-
Other expense, net	20,003	(63,034)
Net income	$ 10,067,570	$ 12,657,101

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended September 30, 2024 and 2023

	Common Stock		Notes Receivable	Retained Earnings/	
	Shares	Amount	from Stockholders	Accumulated Deficit	Total
Balances at September 30, 2022	633	$ 314,242	$ (2,110,000)	$ (17,839,525)	$ (19,635,283)
Payments on notes receivable	-	-	1,050,002	(1,050,002)	-
Distributions	-	-	-	(117,804)	(117,804)
Net income	-	-	-	12,657,101	12,657,101
Balances at September 30, 2023	633	314,242	(1,059,998)	(6,350,230)	(7,095,986)
Payments on notes receivable	-	-	1,059,998	(1,059,998)	-
Distributions	-	-	-	(5,879,167)	(5,879,167)
Net income	-	-	-	10,067,570	10,067,570
Balances at September 30, 2024	633	$ 314,242	$ -	$ (3,221,825)	$ (2,907,583)

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 10,067,570	$ 12,657,101
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,882,866	2,084,600
Amortization of operating right-of-use assets	706,388	666,690
Amortization of finance right-of-use assets	55,823	17,432
Non-cash operating lease expense	146,303	90,515
Non-cash interest expense	106,687	106,763
Gain on sale of property and equipment	9,136	-
Change in interest rate swap fair value	694,825	(155,541)
Impairment loss	343,468	-
Changes in operating assets and liabilities:		
Accounts receivable	1,538,189	(1,790,661)
Inventories	(22,720)	(46,387)
Prepaid expenses	(508,457)	(65,828)
Other assets	(513,890)	1,262,069
Accounts payable and accrued expenses	1,841,253	(214,586)
Deferred revenue	(2,036,592)	(254,338)
Operating lease liabilities	(783,328)	(755,917)
Net cash provided by operating activities	13,527,521	13,601,912
Cash flows from investing activities:		
Purchases of property and equipment	(2,433,461)	(1,923,206)
Proceeds from sale of property and equipment	-	24,220
Net cash used in investing activities	(2,433,461)	(1,898,986)
Cash flows from financing activities:		
Principal payments on long-term debt	(8,338,567)	(7,233,700)
Distributions	(5,879,167)	(117,804)
Principal payments on note payable	(88,623)	(85,158)
Payments on finance lease liabilities	(47,385)	(16,115)
Net cash used in financing activities	(14,353,742)	(7,452,777)
Net (decrease) increase in cash and cash equivalents	(3,259,682)	4,250,149
Cash and cash equivalents at beginning of year	16,603,164	12,353,015
Cash and cash equivalents at end of year	$ 13,343,482	$ 16,603,164
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,394,143	$ 1,951,690
Right-of-use assets acquired under operating leases	$ 2,808,772	$ 49,811
Non-cash payments on notes receivable from stockholders	$ 1,059,998	$ 1,050,002

See accompanying notes to consolidated financial statements.

Note 1: Description of Business and Summary of Significant Accounting Policies

Description of Operations

Home-Grown Industries of Georgia, Inc. and Subsidiaries (collectively, the Company) franchises and operates restaurants under the trade name "Mellow Mushroom" that specialize in freshly prepared pizzas and hoagie sandwiches, currently operating in sixteen states primarily in the southeastern United States. Substantially all revenues are derived from franchise royalties, advertising fees, license fees, sales of franchise rights, sales of food and related services used in their operations, and from revenues derived from retail sales of pizza and other food and beverage products to the general public by Company-owned stores.

The Company had 165 and 161 franchised restaurants at September 30, 2024 and 2023, respectively. The Company owned and operated 4 and 3 stores at September 30, 2024 and 2023, respectively.

Basis of Presentation

The consolidated financial statements include the accounts of Home-Grown Industries of Georgia, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items that are subject to such estimates and assumptions include the allowance for doubtful accounts and the depreciable lives of property and equipment. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could significantly differ from these estimates.

Revenue and Cost Recognition

The term of all franchise agreements is 15 years. These agreements also convey multiple extension terms of 5 years, depending on contract terms and certain conditions that must be met. The Company provides the use of the Mellow Mushroom trademarks, system, training, pre-opening assistance, and restaurant operating assistance in exchange for franchise fees and royalty and advertising fees of 5% and 2%, respectively, of a restaurant's gross sales, as defined within the individual franchise agreements. Franchise fees are generally nonrefundable and are recognized ratably in income during the period beginning with the execution of and through the end of the associated franchise agreement. Royalty and advertising fees are recorded on a sales-based recognition when earned.

The Company also offers development rights riders. These agreements commit the developer to the development of more than one restaurant. Upon the signing of the agreement, the developer must remit to the Company 50% of the aggregate initial franchise fees to be paid for all restaurants to be opened under the development rights rider. The remaining 50% of the initial franchise fee for each restaurant must be remitted upon the execution of the franchise agreement for that restaurant. The performance obligation under development rights riders generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are initially recorded to deferred revenue and are then apportioned to each franchise agreement execution and accounted for as an initial franchise fee at that time. As of September 30, 2024 and 2023, there were no development fees in deferred revenue.

Sales from Company-owned restaurants are recognized as revenue at the point of the delivery of meals and services. All sales taxes are presented on a net basis and are excluded from revenue.

Commissary revenues are comprised of food sold to franchised restaurants or distributors and are recognized as revenue upon shipment of the related products.

Corporate operating costs, which include commissary costs of sales, are charged to expense as incurred.

The Company has determined that franchise fee revenue does not relate to separate and distinct performance obligations from the franchise right and those upfront fees are therefore recognized as revenue over the term of each respective franchise agreement, which is typically 15 years.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company also determined that there are not performance obligations associated with the Brand Development Fund contributions that are separate from the Company's royalty payment stream and, as a result, these contributions and the related expenses are presented gross in the Company's accompanying consolidated statements of earnings and consolidated statements of cash flows.

Franchise Operations

The Company enters into franchise agreements with unrelated third parties to build and operate restaurants using the Mellow Mushroom brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Mellow Mushroom brand. The franchisee is required to operate its restaurants in compliance with a franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company generally does not provide any financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right, but not the obligation, to acquire the assets of the franchisee at fair value as determined by an independent appraiser. The Company has financial exposure for the collection of the royalty and advertising payments. These payments are typically drafted via ACH weekly for the prior week's sales, which substantially minimizes the Company's financial exposure or at least enables the Company to quickly identify any troubled franchisees. Franchise fees are paid upon the signing of the related agreements.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturity of three months or less from the date of purchase. These investments are carried at cost, which approximates fair value. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company mitigates its risks by depositing cash and investing in cash equivalents with major financial institutions.

Accounts Receivable

Substantially all accounts receivable are due from franchisees or from a wholesale food distributor. Accounts receivable are due directly from franchisees for royalties from sales and brand development fund contributions. Credit is extended based on an evaluation of the franchisee's financial condition and, generally, collateral is not required. A reserve for credit losses is established as deemed necessary based upon overall accounts receivable aging levels and a specific review of accounts for franchisees or other customers with known financial difficulties. There was no reserve for credit losses at September 30, 2024 or 2023.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Construction in progress is initially capitalized, and depreciation commences as the assets are placed into service. Depreciation is primarily provided using the straight-line method over the estimated useful lives of the assets (generally 1 to 10 years for restaurant, commissary, aircraft and other equipment, and 20 to 39 years for buildings and improvements). Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the expected lease term, or the estimated useful lives of the assets, which typically range from 5 to 10 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

Long-Lived Assets

The recoverability of long-lived assets is evaluated if impairment indicators exist. Indicators of impairment include historical financial performance, operating trends, and future operating plans. If impairment indicators exist, the Company evaluates the recoverability of long-lived assets on an operating unit basis (e.g., an individual restaurant) based on undiscounted expected future cash flows, before interest, for the expected remaining useful life of the operating unit. Recorded values for long-lived assets that are not expected to be recovered through undiscounted future cash flows are written down to current fair value, which is generally determined from estimated discounted future net cash flows for assets held for use or estimated net realizable value for assets held for sale. During the year ended September 30, 2024, the Company recorded impairment charges of $343,468 related to the Denver, Colorado store. Of this amount, $122,007 related to impaired property and equipment and $221,461 related to impaired lease right-of-use assets.

Goodwill

Goodwill represents the excess of cost over the fair value of net tangible assets acquired in connection with previously acquired units. In accordance with FASB ASU 2014-02, *Intangibles-Goodwill and Other*, the Company elected to amortize goodwill over a ten-year period. Goodwill is still evaluated for potential impairment on an annual basis unless circumstances indicate the need for impairment testing between annual tests. The judgments regarding the existence of impairment indicators are based on legal factors, market conditions, and operational performance, among other things. An impairment loss is recognized if the carrying value exceeds the entity's fair value. The Company has elected to evaluate goodwill for impairment at the consolidated entity level. As of September 30, 2024 and 2023, the Company does not believe that goodwill is impaired as the estimated fair value exceeds the carrying amount. At September 30, 2024 and 2023, goodwill totaled $278,618 and $334,342, net of accumulated amortization of $278,619 and $222,895, respectively. In 2024 and 2023, goodwill amortization totaled $55,724 and $55,724, respectively, and is included in corporate operating costs in the accompanying consolidated statements of earnings. Annual goodwill amortization expense is expected to be $55,724 for each of the next five years.

Deferred Loan Costs

Deferred loan costs relate to the financing of debt (Note 4) and are being amortized on a straight-line basis over the life of the underlying debt. Deferred loan costs are included as a component of long-term debt in the accompanying, consolidated balance sheets and totaled $256,207 and $362,969, net of accumulated amortization of $287,240 and $180,642, at September 30, 2024 and 2023, respectively. Amortization of deferred loan costs totaled $106,763 and $106,763 in 2024 and 2023, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

Leases

In February 2016, FASB issued ASU 2016-02, *Leases*, which is codified in ASC 842, *Leases,* and superseded previous lease guidance. The guidance requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset (ROU asset), which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ROU assets are assessed for impairment in accordance with the Company's long-lived asset impairment policy, which is performed annually or whenever events or changes in circumstances indicate that the carrying amount of a lease asset may not be recoverable. The Company reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment. The difference between operating lease expense recognized in the accompanying consolidated statements of operations and cash payments for operating leases is recognized within non-cash operating lease expense on the accompanying consolidated statements of cash flows.

Brand Development Fund

The Company maintains a system-wide marketing and advertising fund (Brand Development Fund or the Fund) which is included in the consolidated financial statements. The Fund is responsible for developing and conducting marketing and advertising for the Mellow Mushroom system. Company-owned and franchised restaurants are required to remit a designated percentage of restaurant sales to the Fund.

The Company has determined that there are no performance obligations associated with the contributions that are separate from the Company's royalty payment stream. As a result, these contributions are deferred until such qualified expenditures are incurred by the Company, at which time the related contributions and expenses are presented gross in the accompanying consolidated statements of operations and consolidated statements of cash flows. At September 30, 2024 and 2023, deferred revenue related to the Fund totaled $1,591,867 and $3,291,516, respectively. In addition, vendor allowances are included as a component of contributions to the Fund and relate to various incentives offered by vendors for the entire franchise system. The Company recognizes revenue for these vendor allowances in the period in which the underlying transaction takes place or the point in which the incentive fee due is determinable.

Gift Card Program

The Company has a program in place whereby gift cards can be purchased by customers online or at individual restaurant locations. The Company defers all cash collections associated with gift card purchases until presented in a sale transaction at a restaurant location, at which time funds are transferred to that location. There is no stated expiration of the Company's gift cards. The Company recorded a liability associated with the gift card program of $2,371,193 and $2,209,251 at September 30, 2024 and 2023, respectively, which is included as a component of accounts payable and accrued expenses in the accompanying consolidated balance sheets. The Company has not recorded breakage given the absence of a stated expiration of the gift cards, as well as state regulations.

Derivative Instruments and Hedging Activities

FASB Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Gains and losses resulting from changes in the fair value of derivatives are recorded either in accumulated other comprehensive income (loss) or operations, depending upon whether the instruments meet the criteria for hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized in current earnings.

Customer and Vendor Concentration

The Company uses one distributor for the sale and distribution of commissary products to all of the Company's restaurant franchisees outside of the major Atlanta metropolitan area. Revenue from the distributor approximated 82% and 83% of the Company's commissary revenues in 2024 and 2023, respectively. The Company had an accounts receivable balance of approximately $731,000 and $785,000 from the distributor at September 30, 2024 and 2023, respectively.

Income Taxes

Effective October 1, 2009, the Company elected to be taxed as an S Corporation. Accordingly, no provision or benefit for Federal and state income taxes is necessary since income, losses, and credits are reported on the stockholders' respective income tax returns. The Company was required to maintain a deposit of $1,014,862 and $509,027 at September 30, 2024 and 2023, respectively, to the IRS to maintain the Company's fiscal year end, which is included in other assets in the accompanying consolidated balance sheets. The deposit is adjusted annually based on the Company's taxable income for the deferral period and will remain an asset of the Company until a triggering event, as defined by the IRS. As of September 30, 2023, the Company was due a refund, included in accounts receivable, of $1,261,947 from the IRS to refund the excess deposit.

The Company applies the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 requires that a tax position be recognized or derecognized on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return including determining the appropriate entity classification. The Company does not believe its consolidated financial statements include any material uncertain tax positions. The Company files income tax returns in the Federal jurisdiction, and various state jurisdictions. With few exceptions, the Company is no longer subject to Federal and state income tax examinations by tax authorities for years prior to 2021. The Company recognizes interest and penalties related to income taxes in corporate operating costs in the accompanying consolidated statements of operations. No significant amounts of interest and penalties were recognized in 2024 or 2023.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated for subsequent events between the consolidated balance sheet date of September 30, 2024, and the report date, the date the consolidated financial statements were available for issuance, and has concluded that all subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

Note 2: Acquisition

Johnson City

In June 2024, the Company acquired a unit in Johnson City, Tennessee from a franchisee for total consideration of $11,870. The accompanying consolidated financial statements include the results of this restaurant's operations since the date of the acquisition.

The purchase price was allocated to the underlying assets based upon their respective fair values. Assets acquired consisted of property and equipment and inventory. The Company also entered into a lease agreement with the former franchisee for use of the land and building, which has been included in the disclosure of operating lease activity in Note 6.

The following table presents the allocation of the purchase price to the assets acquired, based on their fair values as of June 2024:

Consideration paid	$ 11,870
Assets acquired and liabilities assumed:	
Property and equipment	110,714
Inventory	11,860
Lease ROU asset	1,016,213
Lease liability	(1,016,213)
Fair value of net assets acquired	122,574
Gain on bargain purchase	$ 110,704

As the fair value of net assets acquired exceeded the consideration paid, the Company recognized a gain on bargain purchase, which is included as a component of other expense, net in the accompanying consolidated statements of operations. The Company incurred $45,721 in acquisition-related expenses in 2024.

Note 3: Inventories

Inventories consist of the following at September 30:

	2024	2023
Commissary materials and supplies	$ 696,145	$ 688,832
Restaurant food and supplies	120,266	104,859
	$ 816,411	$ 793,691

Note 4: Property and Equipment

Property and equipment consist of the following at September 30:

	2024	2023
Furniture, fixtures, and equipment	$ 14,115,015	$ 13,670,234
Buildings and improvements	8,740,751	8,526,000
Aircraft	2,988,542	2,988,542
Leasehold improvements	2,079,036	1,928,500
Vehicles	612,804	611,922
Land	579,327	579,327
Construction in progress	2,001,417	400,897
	31,116,892	28,705,422
Less: accumulated depreciation	(19,971,913)	(18,053,051)
	$ 11,144,979	$ 10,652,371

Depreciation expense associated with property and equipment totaled $1,827,142 and $2,046,308 in 2024 and 2023, respectively. The Company also recorded an impairment loss on property and equipment totaling $122,007.

The Company's property and equipment are pledged as security under the Company's credit facility (Note 4).

Note 5: Debt

Lines of Credit and Term Notes

In March 2016, the Company entered into a credit facility with a financial institution consisting of a term note of $2.55 million for the purposes of financing the purchase of an aircraft. The term note bears interest at the fixed rate of 4.20% per annum, matures in April 2026, as defined, and is secured by the aviation asset. The outstanding balance of the term note totaled $478,177 and $764,319 at September 30, 2024 and 2023, respectively.

In March 2022, the Company entered into a credit facility with a financial institution consisting of a term note of $40.6 million and a revolving loan with total borrowing availability of $3.0 million for the purposes of financing a dividend recapitalization and general corporate purposes. The term note bears interest at a variable rate equal to an applicable margin of 2.15% plus the highest of the prime rate, the federal funds rate plus 0.50%, or the secured overnight financing rate (SOFR) plus 1.00%, as determined by the lender (6.91% as of September 30, 2024). The note matures in March 2027, as defined, and is secured by substantially all assets of the Company. The outstanding balance of the term note totaled $20,995,000 and $29,067,500 at September 30, 2024 and 2023, respectively. The revolving loan bears interest at a per annum rate equal to an applicable margin of 2.15% plus a variable rate equal to the highest of the prime rate, the federal funds rate plus 0.50%, or SOFR plus 1.00%, as determined by the lender (6.91% as of September 30, 2024). Borrowings on the revolving loan are available through March 2027; however, there were no borrowings at September 30, 2024 or 2023.

The term notes require the Company, among other things, to adhere to certain financial and non-financial covenants. As of September 30, 2024, the Company was in compliance with all such covenants.

Interest Rate Swap

In April 2022, the Company entered into an interest rate swap, with a total notional amount of $20,300,000 to fix the variable rate at 2.70%, mitigating interest rate risk on the related long-term debt. The interest rate swap was effective concurrent with the term note entered into in March 2022.

The Company did not designate the swap agreement as an accounting hedge under FASB ASC 815. Accordingly, changes in fair value of the swap agreement are recorded through earnings as a component of interest expense, which totaled a loss of $694,825 and a gain of $155,541 for the years ended September 30, 2024 and 2023, respectively. The fair value of the interest rate swap was an asset of $239,601 and $934,426 at September 30, 2024 and 2023 and the outstanding notional amounts were $10,497,500 and $14,523,750 at September 30, 2024 and 2023, respectively. The Company estimates the fair value of the derivative instrument at each consolidated balance sheet date by using discounted cash flows and applicable interest rate curves, which qualify as Level 2 inputs pursuant to FASB ASC 820, *Fair Value Measurement and Disclosures*.

Note Payable

The note payable resulted from the Company's purchase of common stock in September 2009 from a former stockholder. The note bears interest at 4.00% and is being repaid over twenty years with weekly principal and interest payments of approximately $4,000. The note payable is guaranteed by certain stockholders of the Company and is subordinate to the Company's senior credit facility.

The following is a schedule by year of future minimum debt payments under debt at September 30, 2024:

Year	Note Payable	Long-Term Debt
2025	$ 92,230	$ 4,358,306
2026	95,984	4,239,796
2027	99,890	12,875,000
2028	105,996	-
2029	35,613	-
Thereafter	-	-
	429,713	21,473,102
Less: deferred loan costs, net	-	(256,207)
	$ 429,713	$ 21,216,895

Note 6: Leases

Operating Leases

The Company leases office and restaurant space and equipment under operating and short-term lease agreements. These lease agreements have terms expiring on various dates through 2039 and include options to extend the lease when it is reasonably certain that the Company will exercise the option. The leases generally require that the Company pay taxes, maintenance, and insurance, which are recorded separately from lease expense.

The Company elected to use the practical expedient under ASC 842, which allows private companies to use a portfolio approach and use the risk-free rate to discount lease payments to present value. The Company has elected the practical expedient to not apply the recognition requirement to leases with a term of less than one year (short term leases).

The components of operating lease costs are as follows for the years ended September 30:

	2024	2023
Operating lease costs	$ 820,006	$ 860,011
Short term lease costs	103,586	126,042
Total lease costs	$ 923,592	$ 986,053

The following table presents supplemental operating lease information:

the measurement of operating lease liabilities	$ 783,328
Right of use assets obtained in exchange	

The following summarizes the weighted average lease term and weighted average discount rate as of September 30 for operating leases:

	2024
Weighted-average remaining lease term (in years)	9.17
Weighted-average discount rate	5.24%

Maturity of operating lease liabilities as of September 30, 2024 is as follows:

Future lease payments:	
2025	$ 983,574
2026	860,854
2027	789,645
2028	796,033
2029	669,924
Thereafter	2,937,246
Total	7,037,276
Less: present value discount	(1,519,003)
Operating lease obligations	5,518,273
Less: current portion	(725,927)
Long-term operating lease liabilities	$ 4,792,346

Finance leases

The Company leases three vehicles under finance leases. Property under the finance lease arrangements had a total cost of $133,718 and $228,163 and accumulated amortization of $73,255 and $17,432 as of September 30, 2024 and 2023, respectively.

The components of finance lease costs were as follows for the years ended September 30:

	2024	2023
Amortization of finance lease assets included in depreciation and amortization	$ 55,823	$ 17,432

The following table presents supplemental finance lease information:

	2024	2023
Cash paid for amounts included in the measurement of finance lease liabilities	$ 66,076	$ 17,919
Fixed assets obtained in exchange for new or acquired finance lease liabilities	$ 133,718	$ 228,162

The following summarizes the weighted average lease term and weighted average discount rate as of September 30 for finance leases:

	2024
Weighted-average remaining lease term (in years)	3.69
Weighted-average discount rate	7.00%

Maturities of finance lease liabilities as of September 30, 2024 are as follows:

2025	$ 94,058
2026	94,058
2027	94,058
2028	44,577
2029	11,496
Total	338,247
Less: amount representing interest	(39,866)
Finance lease obligations	298,381
Less: current portion	(75,874)
Long-term finance lease liabilities	$ 222,507

Note 7: Commitments and Contingencies

Litigation

The Company from time to time may be involved in various legal claims, actions, and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial positions or results of operations of the Company.

Note 8: Employee Benefit Plans

The Company entered into a 401(k) Deferred Profit Sharing Plan (the Plan), effective April 1, 2009. The Company's employees are eligible to enroll in the Plan upon meeting eligibility requirements, as defined. Participants may contribute up to 100% of their compensation for a plan year, as allowed by the Employee Retirement Income Security Act. Prior to January 1, 2015, the Company did not match employee contributions, but made discretionary contributions to the Plan. Effective January 1, 2015, the Plan made a safe harbor election in which the Company makes a matching contribution equal to 100% of the first 3%, and 50% of the next 2% for a maximum matching contribution of 4% of employee contributions. Contributions of $206,573 and $219,918 were made during 2024 and 2023, respectively.

Note 9: Related Parties

In 2014 and 2015, the Company entered into lease agreements with entities owned by certain stockholders. The leases provide that the Company will bear the cost of property taxes and insurance. Lease expense related to these leases totaled $187,905 in 2024 and 2023, and is included as a component of corporate operating costs in the accompanying consolidated statements of operations. The leases expire in 2029 and require monthly escalating payments every five years, which range from $6,383 to $9,479.

In 2022, the Company advanced certain stockholders $2,110,000 in return for notes receivable. The notes bear interest at a per annum rate of 0.97% and mature in September 2024. The outstanding balance of the notes totaled $0 and $1,059,998 at September 30, 2024 and September 30, 2023, respectively, and is recorded as a reduction of stockholders' deficit in the accompanying consolidated balance sheets and statements of changes in stockholders' deficit.

* * * * *

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Financial Statements

September 30, 2023 and 2022

BENNETT THRASHER LLP
Better Together

Independent Auditor's Report

To the Board of Directors and Stockholders of
Home-Grown Industries of Georgia, Inc. and Subsidiaries

Opinion

We have audited the accompanying financial statements of Home-Grown Industries of Georgia, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations, changes in stockholder's equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home-Grown Industries of Georgia, Inc. and Subsidiaries as of September 30, 2023 and 2022, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Effect of Adopting New Accounting Standard

As disclosed in Note 1 to the accompanying consolidated financial statements, effective October 1, 2022, the Company changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board Update No. 2016-02, Leases (Accounting Standards Codification Topic 842). The Company adopted the new standard using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Bennett Thrasher LLP

January 8, 2024

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Balance Sheets
September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 16,603,164	$ 12,353,015
Accounts receivable	3,768,795	1,978,134
Inventories	793,691	747,304
Prepaid expenses	365,604	299,776
Total current assets	21,531,254	15,378,229
Property and equipment, net	10,669,803	10,799,693
Operating lease right-of-use assets	3,199,454	-
Finance lease right-of-use assets	210,731	-
Goodwill, net	334,342	390,066
Other assets	1,540,622	2,647,150
Total assets	$ 37,486,206	$ 29,215,138
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 3,838,567	$ 3,479,866
Current portion of note payable	88,623	85,158
Accounts payable and accrued expenses	5,650,443	5,865,029
Current portion of operating lease liabilities	589,487	-
Current portion of finance lease liabilities	42,595	-
Current portion of deferred revenue	2,130,800	3,542,732
Total current liabilities	12,340,515	12,972,785
Long-term debt, net of current portion and deferred loan costs	25,610,208	33,095,846
Note payable, net of current portion	429,713	518,336
Deferred revenue, net of current portion	3,291,516	2,133,922
Operating lease liabilities, net of current portion	2,740,787	-
Finance lease liabilities, net of current portion	169,453	-
Other liabilities	-	129,532
Total liabilities	44,582,192	48,850,421
Commitments and contingencies (Note 6)		
Stockholders' Deficit		
Common stock, no par value; 1,000,000 shares authorized; 633 shares issued and outstanding at September 30, 2022 and 2021	314,242	314,242
Notes receivable from stockholders	(1,059,998)	(2,110,000)
Accumulated deficit	(6,350,230)	(17,839,525)
Total stockholders' deficit	(7,095,986)	(19,635,283)
Total liabilities and stockholders' deficit	$ 37,486,206	$ 29,215,138

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Operations
For the Years Ended September 30, 2023 and 2022

	2023	2022
Revenues:		
Restaurant sales	$ 8,303,333	$ 8,687,250
Franchise royalties, advertising, and fees	34,808,855	31,594,098
Commissary sales	19,277,763	18,835,926
Other	-	40,000
Total revenues	62,389,951	59,157,274
Costs and expenses:		
Restaurant operating costs:		
Cost of sales	2,560,510	2,619,615
Operating	6,224,418	5,965,909
Corporate operating costs	39,170,032	56,915,051
Total costs and expenses	47,954,960	65,500,575
Income (loss) from operations	14,434,991	(6,343,301)
Other income (expense):		
Interest income	197,331	11,454
Interest expense	(1,912,187)	(255,177)
Other expense, net	(63,034)	26,490
Net income (loss)	$ 12,657,101	$ (6,560,534)

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Deficit)
For the Years Ended September 30, 2023 and 2022

	Common Stock		Notes Receivable	Retained Earnings/	
	Shares	Amount	from Stockholders	Accumulated Deficit	Total
Balances at September 30, 2021	633	$ 314,242	$ -	$ 21,993,823	$ 22,308,065
Distributions	-	-	-	(33,272,814)	(33,272,814)
Loans to stockholders	-	-	(2,110,000)	-	(2,110,000)
Net loss	-	-	-	(6,560,534)	(6,560,534)
Balances at September 30, 2022	633	314,242	(2,110,000)	(17,839,525)	(19,635,283)
Payments on notes receivable	-	-	1,050,002	(1,050,002)	-
Distributions	-	-	-	(117,804)	(117,804)
Net income	-	-	-	12,657,101	12,657,101
Balances at September 30, 2023	633	$ 314,242	$ (1,059,998)	$ (6,350,230)	$ (7,095,986)

See accompanying notes to consolidated financial statements.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ 12,657,101	$ (6,560,534)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,084,600	1,965,304
Amortization of operating right-of-use assets	666,690	-
Amortization of finance right-of-use assets	17,432	-
Non-cash operating lease expense	90,515	-
Gain on sale of property and equipment	-	968
Non-cash interest expense	106,763	72,896
Change in interest rate swap fair value	(155,541)	(790,406)
Changes in operating assets and liabilities:		
Accounts receivable	(1,790,661)	(80,384)
Inventories	(46,387)	(95,450)
Prepaid expenses	(65,828)	(88,030)
Other assets	1,262,069	(1,007,656)
Accounts payable and accrued expenses	(214,586)	(444,737)
Deferred revenue	(254,338)	920,923
Operating lease liabilities	(755,917)	-
Other liabilities	-	(45,580)
Net cash provided by (used in) operating activities	13,601,912	(6,152,686)
Cash flows from investing activities:		
Purchases of property and equipment	(1,923,206)	(548,113)
Proceeds from sale of property and equipment	24,220	32,179
Net cash used in investing activities	(1,898,986)	(515,934)
Cash flows from financing activities:		
Principal payments on long-term debt	(7,233,700)	(6,099,147)
Distributions	(117,804)	(33,272,814)
Principal payments on note payable	(85,158)	(83,370)
Payments on finance lease liabilities	(16,115)	-
Proceeds from term loan	-	40,600,000
Loans to stockholders	-	(2,110,000)
Payments for deferred financing costs	-	(524,009)
Net cash used in financing activities	(7,452,777)	(1,489,340)
Net increase (decrease) in cash and cash equivalents	4,250,149	(8,157,960)
Cash and cash equivalents at beginning of year	12,353,015	20,510,975
Cash and cash equivalents at end of year	$ 16,603,164	$ 12,353,015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,951,690	$ 925,563
Right-of-use assets acquired under operating leases	$ 49,811	$ -

See accompanying notes to consolidated financial statements.

Note 1: Description of Business and Summary of Significant Accounting Policies

Description of Operations

Home-Grown Industries of Georgia, Inc. and Subsidiaries (collectively, the Company) franchises and operates restaurants under the trade name "Mellow Mushroom" that specialize in freshly prepared pizzas and hoagie sandwiches, currently operating in eighteen states primarily in the southeastern United States. Substantially all revenues are derived from franchise royalties, advertising fees, license fees, sales of franchise rights, sales of food and related services used in their operations, and from revenues derived from retail sales of pizza and other food and beverage products to the general public by Company-owned stores.

The Company had 158 and 164 franchised restaurants at September 30, 2023 and 2022, respectively. The Company owned and operated 3 and 4 stores at September 30, 2023 and 2022, respectively.

Basis of Presentation

The consolidated financial statements include the accounts of Home-Grown Industries of Georgia, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items that are subject to such estimates and assumptions include the allowance for doubtful accounts and the depreciable lives of property and equipment. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could significantly differ from these estimates.

Revenue and Cost Recognition

The term of all franchise agreements is 15 years. These agreements also convey multiple extension terms of 5 years, depending on contract terms and certain conditions that must be met. The Company provides the use of the Mellow Mushroom trademarks, system, training, pre-opening assistance, and restaurant operating assistance in exchange for franchise fees and royalty and advertising fees of 5% and 2%, respectively, of a restaurant's gross sales, as defined within the individual franchise agreements. Franchise fees are generally nonrefundable and are recognized ratably in income during the period beginning with the execution of and through the end of the associated franchise agreement. Royalty and advertising fees are recorded on a sales-based recognition when earned.

The Company also offers development rights riders. These agreements commit the developer to the development of more than one restaurant. Upon the signing of the agreement, the developer must remit to the Company 50% of the aggregate initial franchise fees to be paid for all restaurants to be opened under the development rights rider. The remaining 50% of the initial franchise fee for each restaurant must be remitted upon the execution of the franchise agreement for that restaurant. The performance obligation under development rights riders generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are initially recorded to deferred revenue and are then apportioned to each franchise agreement execution and accounted for as an initial franchise fee at that time. As of September 30, 2023 and 2022, there were no development fees in deferred revenue.

Sales from Company-owned restaurants are recognized as revenue at the point of the delivery of meals and services. All sales taxes are presented on a net basis and are excluded from revenue.

Commissary revenues are comprised of food sold to franchised restaurants or distributors and are recognized as revenue upon shipment of the related products.

Corporate operating costs, which include commissary costs of sales, are charged to expense as incurred.

The Company has determined that franchise fee revenue does not relate to separate and distinct performance obligations from the franchise right and those upfront fees are therefore recognized as revenue over the term of each respective franchise agreement, which is typically 15 years.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Company also determined that there are not performance obligations associated with the Brand Development Fund contributions that are separate from the Company's royalty payment stream and, as a result, these contributions and the related expenses are presented gross in the Company's accompanying consolidated statements of earnings and consolidated statements of cash flows.

Franchise Operations

The Company enters into franchise agreements with unrelated third parties to build and operate restaurants using the Mellow Mushroom brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the Mellow Mushroom brand. The franchisee is required to operate its restaurants in compliance with a franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company generally does not provide any financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right, but not the obligation, to acquire the assets of the franchisee at fair value as determined by an independent appraiser. The Company has financial exposure for the collection of the royalty and advertising payments. These payments are typically drafted via ACH weekly for the prior week's sales, which substantially minimizes the Company's financial exposure or at least enables the Company to quickly identify any troubled franchisees. Franchise fees are paid upon the signing of the related agreements.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturity of three months or less from the date of purchase. These investments are carried at cost, which approximates fair value. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company mitigates its risks by depositing cash and investing in cash equivalents with major financial institutions.

Accounts Receivable

Aside from a refund of $1,261,947 due from the Internal Revenue Service (IRS) as of September 30, 2023, substantially all accounts receivable are due from franchisees or from a wholesale food distributor. Accounts receivable are due directly from franchisees for royalties from sales and brand development fund contributions. Credit is extended based on an evaluation of the franchisee's financial condition and, generally, collateral is not required. A reserve for uncollectible accounts is established as deemed necessary based upon overall accounts receivable aging levels and a specific review of accounts for franchisees or other customers with known financial difficulties. The reserve for uncollectible accounts was $0 at September 30, 2023 and 2022.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Construction in progress is initially capitalized, and depreciation commences as the assets are placed into service. Depreciation is primarily provided using the straight-line method over the estimated useful lives of the assets (generally 1 to 10 years for restaurant, commissary, aircraft and other equipment, and 20 to 39 years for buildings and improvements). Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the expected lease term, or the estimated useful lives of the assets, which typically range from 5 to 10 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

Long-Lived Assets

The recoverability of long-lived assets is evaluated if impairment indicators exist. Indicators of impairment include historical financial performance, operating trends, and future operating plans. If impairment indicators exist, the Company evaluates the recoverability of long-lived assets on an operating unit basis (e.g., an individual restaurant) based on undiscounted expected future cash flows, before interest, for the expected remaining useful life of the operating unit. Recorded values for long-lived assets that are not expected to be recovered through undiscounted future cash flows are written down to current fair value, which is generally determined from estimated discounted future net cash flows for assets held for use or estimated net realizable value for assets held for sale. During 2023 and 2022 the Company recorded no impairment charges.

Goodwill

Goodwill represents the excess of cost over the fair value of net tangible assets acquired in connection with previously acquired units. In accordance with FASB ASU 2014-02, *Intangibles-Goodwill and Other*, the Company elected to amortize goodwill over a ten-year period. Goodwill is still evaluated for potential impairment on an annual basis unless circumstances indicate the need for impairment testing between annual tests. The judgments regarding the existence of impairment indicators are based on legal factors, market conditions, and operational performance, among other things. An impairment loss is recognized if the carrying value exceeds the asset's fair value. The Company has elected to evaluate goodwill for impairment at the consolidated entity level. As of September 30, 2023 and 2022, the Company does not believe that goodwill is impaired as the estimated fair value exceeds the carrying amount. At September 30, 2023 and 2022, goodwill totaled $334,342 and $390,066, net of accumulated amortization of $222,895 and $167,171, respectively. In 2023 and 2022, goodwill amortization totaled $55,724 and $55,724, respectively, and is included in corporate operating costs in the accompanying consolidated statements of earnings. Annual goodwill amortization expense is expected to be $55,724 for each of the next four years.

Deferred Loan Costs

Deferred loan costs relate to the financing of debt (Note 4) and are being amortized on a straight-line basis over the life of the underlying debt. Deferred loan costs are included as a component of long-term debt in the accompanying, consolidated balance sheets and totaled $362,969 and $469,732, net of accumulated amortization of $180,642 and $73,879, at September 30, 2023 and 2022, respectively. Amortization of deferred loan costs totaled $106,763 and $72,896 in 2023 and 2022, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

Leases

In February 2016, FASB issued ASU 2016-02, *Leases*, which is codified in ASC 842 Leases and supersedes current lease guidance. The guidance requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset (ROU asset), which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The Company adopted ASC 842 on October 1, 2022 using the modified retrospective approach and as a result did not restate prior periods. The Company elected the package of three practical expedients permitted within the standard pursuant to which the Company did not reassess initial direct costs, lease classification or whether contracts contain or are leases. The adoption of ASC 842 resulted in the recognition of ROU assets totaling $3,816,333 and corresponding lease liabilities of $3,945,135. Deferred rent balances totaling $128,802 recorded under the prior guidance as of September 30, 2022 were removed upon adoption on October 1, 2022. The consolidated financial statements for the year ended September 30, 2023 are presented under the new standard, while the comparative year presented has not been adjusted and continues to be reported in accordance with the previous standard.

ROU assets are assessed for impairment in accordance with the Company's long-lived asset impairment policy, which is performed annually or whenever events or changes in circumstances indicate that the carrying amount of a lease asset may not be recoverable. The Company reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment. The difference between operating lease expense recognized in the accompanying consolidated statements of operations and cash payments for operating leases is recognized within non-cash operating lease expense on the accompanying consolidated statements of cash flows.

Brand Development Fund

The Company maintains a system-wide marketing and advertising fund (Brand Development Fund or the Fund) which is included in the consolidated financial statements. The Fund is responsible for developing and conducting marketing and advertising for the Mellow Mushroom system. Company-owned and franchised restaurants are required to remit a designated percentage of restaurant sales to the Fund.

The Company has determined that there are no performance obligations associated with the contributions that are separate from the Company's royalty payment stream. As a result, these contributions are deferred until such qualified expenditures are incurred by the Company, at which time the related contributions and expenses are presented gross in the accompanying consolidated statements of operations and consolidated statements of cash flows. At September 30, 2023 and 2022, deferred revenue related to the Fund totaled $3,291,516 and $3,191,527, respectively. In addition, vendor allowances are included as a component of contributions to the Fund and relate to various incentives offered by vendors for the entire franchise system. The Company recognizes revenue for these vendor allowances in the period in which the underlying transaction takes place or the point in which the incentive fee due is determinable.

Gift Card Program

The Company has a program in place whereby gift cards can be purchased by customers online or at individual restaurant locations. The Company defers all cash collections associated with gift card purchases until presented in a sale transaction at a restaurant location, at which time funds are transferred to that location. There is no stated expiration of the Company's gift cards. The Company recorded a liability associated with the gift card program of $2,209,251 and $1,927,774 at September 30, 2023 and 2022, respectively, which is included as a component of accounts payable and accrued expenses in the accompanying consolidated balance sheets. The Company has not recorded breakage given the absence of a stated expiration of the gift cards, as well as state regulations.

Derivative Instruments and Hedging Activities

FASB Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Gains and losses resulting from changes in the fair value of derivatives are recorded either in accumulated other comprehensive income (loss) or operations, depending upon whether the instruments meet the criteria for hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized in current earnings.

Customer and Vendor Concentration

The Company uses one distributor for the sale and distribution of commissary products to all of the Company's restaurant franchisees outside of the major Atlanta metropolitan area. Revenue from the distributor approximated 83% of the Company's commissary revenues in 2023 and 2022. The Company had an accounts receivable balance of approximately $785,000 and $756,000 from the distributor at September 30, 2023 and 2022, respectively.

Income Taxes

Effective October 1, 2009, the Company elected to be taxed as an S Corporation. Accordingly, no provision or benefit for Federal and state income taxes is necessary since income, losses, and credits are reported on the stockholders' respective income tax returns. The Company was required to maintain a deposit of $509,027 and $1,770,974 at September 30, 2023 and 2022, respectively, to the IRS to maintain the Company's fiscal year end, which is included in other assets in the accompanying consolidated balance sheets. The deposit is adjusted annually based on the Company's taxable income for the deferral period and will remain an asset of the Company until a triggering event, as defined by the IRS. As of September 30, 2023, the Company was due a refund, included in accounts receivable, of $1,261,947 from the IRS to refund the excess deposit.

The Company applies the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 requires that a tax position be recognized or derecognized on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return including determining the appropriate entity classification. The Company does not believe its consolidated financial statements include any material uncertain tax positions. The Company files income tax returns in the Federal jurisdiction, and various state jurisdictions. With few exceptions, the Company is no longer subject to Federal and state income tax examinations by tax authorities for years prior to 2020. The Company recognizes interest and penalties related to income taxes in corporate operating costs in the accompanying consolidated statements of operations. No significant amounts of interest and penalties were recognized in 2023 or 2022.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated for subsequent events between the consolidated balance sheet date of September 30, 2023, and the report date, the date the consolidated financial statements were available for issuance, and has concluded that all subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

Note 2: Inventories

Inventories consist of the following at September 30:

	2023	2022
Commissary materials and supplies	$ 688,832	$ 604,413
Restaurant food and supplies	104,859	142,891
	$ 793,691	$ 747,304

Note 3: Property and Equipment

Property and equipment consist of the following at September 30:

	2023	2022
Furniture, fixtures, and equipment	$ 13,670,234	$ 12,975,766
Buildings and improvements	8,526,000	7,943,716
Aircraft	2,988,542	2,988,542
Leasehold improvements	1,928,500	1,708,246
Vehicles	611,922	531,989
Land	579,327	579,327
Construction in progress	400,897	387,978
	28,705,422	27,115,564
Less: accumulated depreciation	(18,053,051)	(16,315,871)
	$ 10,652,371	$ 10,799,693

Depreciation expense associated with property and equipment totaled $2,046,308 and $1,909,580 in 2023 and 2022, respectively.

The Company's property and equipment are pledged as security under the Company's credit facility (Note 4).

Note 4: Debt

Lines of Credit and Term Notes

In March 2015, the Company entered into a credit facility with a financial institution consisting of a line of credit with total borrowing availability of $6.0 million for purposes of financing the construction of operating equipment. The line of credit bore interest at the variable rate of 1-month LIBOR plus 2.25%. Borrowings on the line of credit were available through February 2016, at which time the outstanding principal and interest was converted to a $5.8 million term note maturing in March 2023 secured by all assets of the Company with the exception of the aviation equipment. The term note bore interest at the variable rate of 1-month LIBOR plus 2.25%. The outstanding balance of the term note totaled $0 and $414,286 at September 30, 2023 and 2022, respectively.

In March 2016, the Company entered into a credit facility with a financial institution consisting of a term note of $2.55 million for the purposes of financing the purchase of an aircraft. The term note bears interest at the fixed rate of 4.20% per annum, matures in April 2026, as defined, and is secured by the aviation asset. The outstanding balance of the term note totaled $764,319 and $1,038,574 at September 30, 2023 and 2022, respectively.

In March 2022, the Company entered into a credit facility with a financial institution consisting of a term note of $40.6 million and a revolving loan with total borrowing availability of $3.0 million for the purposes of financing a dividend recapitalization and general corporate purposes. The term note bears interest at a variable rate equal to an applicable margin of 2.15% plus the highest of the prime rate, the federal funds rate plus 0.50%, or the secured overnight financing rate (SOFR) plus 1.00%, as determined by the lender (7.47% as of September 30, 2023). The note matures in March 2027, as defined, and is secured by substantially all assets of the Company. The outstanding balance of the term note totaled $29,067,500 and $35,592,500 at September 30, 2023 and 2022, respectively. The revolving loan bears interest at a per annum rate equal to an applicable margin of 2.15% plus a variable rate equal to the highest of the prime rate, the federal funds rate plus 0.50%, or SOFR plus 1.00%, as determined by the lender (7.47% as of September 30, 2023). Borrowings on the revolving loan are available through March 2027; and totaled $0 at September 30, 2023 and September 30, 2022.

The term notes require the Company, among other things, to adhere to certain financial and non-financial covenants. As of September 30, 2023, the Company was in compliance with all such covenants.

Interest Rate Swap

In April 2022, the Company entered into an interest rate swap, with a total notional amount of $20,300,000 to fix the variable rate at 2.70%, mitigating interest rate risk on the related long-term debt. The interest rate swap was effective concurrent with the term note entered into in March 2022.

The Company did not designate the swap agreement as an accounting hedge under FASB ASC 815. Accordingly, changes in fair value of the swap agreement are recorded through earnings as a component of interest expense, which totaled a gain of $155,541 and a gain of $790,406 for the years ended September 30, 2023 and 2022, respectively. The fair value of the interest rate swap was an asset of $934,426 and $778,885 at September 30, 2023 and 2022 and the outstanding notional amounts were $14,523,750 and $20,206,766 at September 30, 2023 and 2022, respectively. The Company estimates the fair value of the derivative instrument at each consolidated balance sheet date by using discounted cash flows and applicable interest rate curves, which qualify as Level 2 inputs pursuant to FASB ASC 820, *Fair Value Measurement and Disclosures*.

Note Payable

The note payable resulted from the Company's purchase of common stock in September 2009 from a former stockholder. The note bears interest at 4.00% and is being repaid over twenty years with weekly principal and interest payments of approximately $4,000. The note payable is guaranteed by certain stockholders of the Company and is subordinate to the Company's senior credit facility.

The following is a schedule by year of future minimum debt payments under debt at September 30, 2023:

Year	Note Payable	Long-Term Debt
2024	$ 88,623	$ 3,838,567
2025	92,230	4,358,306
2026	95,984	4,239,871
2027	99,890	17,375,000
2028	105,996	-
Thereafter	35,613	-
	518,336	29,811,744
Less: deferred loan costs, net	-	(362,969)
	$ 518,336	$ 29,448,775

Note 5: Leases

Operating Leases

The Company leases office and restaurant space and equipment under operating and short-term lease agreements. These lease agreements have terms expiring on various dates through 2029 and include options to extend the lease when it is reasonably certain that the Company will exercise the option. The leases generally require that the Company pay taxes, maintenance, and insurance, which are recorded separately from lease expense.

The Company elected to use the practical expedient under ASC 842, which allows private companies to use a portfolio approach and use the risk-free rate to discount lease payments to present value. The Company has elected the practical expedient to not apply the recognition requirement to leases with a term of less than one year (short term leases).

The components of operating lease costs are as follows for the years ended September 30:

	2023	2022
Operating lease costs	$ 860,011	$ -
Short term lease costs	126,042	-
Total lease costs	$ 986,053	$ -

The following table presents supplemental operating lease information:

	2023
Cash paid for amounts included in the measurement of operating lease liabilities	$ 862,258
Right of use assets obtained in exchange for new or acquired lease liabilities	$ 49,811

The following summarizes the weighted average lease term and weighted average discount rate as of September 30 for operating leases:

	2023
Weighted-average remaining lease term (in years)	7.93
Weighted-average discount rate	3.71%

Maturity of operating lease liabilities as of September 30, 2023 is as follows:

2024	$ 662,845
2025	565,497
2026	434,498
2027	351,763
2028	352,687
Thereafter	1,331,878
Total	3,699,168
Less: present value discount	(368,894)
Operating lease obligations	3,330,274
Less: current portion	(589,487)
Long-term operating lease liabilities	$ 2,740,787

Finance Leases

The Company leases two vehicles under finance leases. Property under the finance lease arrangements had a total cost of $228,163 and accumulated amortization of $17,432 as of September 30, 2023.

The components of finance lease costs were as follows for the years ended September 30:

	2023	2022
Amortization of finance lease assets included in depreciation and amortization	$ 17,432	$ -

The following table presents supplemental finance lease information:

	2023	2022
Cash paid for amounts included in the measurement of finance lease liabilities	$ 17,919	$ -
Fixed assets obtained in exchange for new or acquired finance lease liabilities	$ 228,162	$ -

The following summarizes the weighted average lease term and weighted average discount rate as of September 30 for finance leases:

	2023
Weighted-average remaining lease term (in years)	4.20
Weighted-average discount rate	7.00%

Maturities of finance lease liabilities as of September 30, 2023 are as follows:

2024	$ 59,573
2025	59,573
2026	59,573
2027	59,573
2028	10,092
Total	248,384
Less amount representing interest	(36,336)
Finance lease obligations	212,048
Less: current portion	(42,595)
Long-term finance lease liabilities	$ 169,453

Note 6: Commitments and Contingencies

Litigation

The Company from time to time may be involved in various legal claims, actions, and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial positions or results of operations of the Company.

Note 7: Employee Benefit Plans

The Company entered into a 401(k) Deferred Profit Sharing Plan (the Plan), effective April 1, 2009. The Company's employees are eligible to enroll in the Plan upon meeting eligibility requirements, as defined. Participants may contribute up to 100% of their compensation for a plan year, as allowed by the Employee Retirement Income Security Act. Prior to January 1, 2015, the Company did not match employee contributions, but made discretionary contributions to the Plan. Effective January 1, 2015, the Plan made a safe harbor election in which the Company makes a matching contribution equal to 100% of the first 3%, and 50% of the next 2% for a maximum matching contribution of 4% of employee contributions. Contributions of $219,918 and $192,538 were made during 2023 and 2022, respectively.

Note 8: Related Parties

In 2014 and 2015, the Company entered into lease agreements with entities owned by certain stockholders. The leases provide that the Company will bear the cost of property taxes and insurance. Lease expense related to these leases totaled $186,593 in 2023 and 2022, and is included as a component of corporate operating costs in the accompanying consolidated statements of operations. The leases expire in 2029 and require monthly escalating payments every five years, which range from $6,383 to $9,479.

In 2022, the Company advanced certain stockholders $2,110,000 in return for notes receivable. The notes bear interest at a per annum rate of 0.97% and mature in September 2024. The outstanding balance of the notes totaled $1,059,998 and $2,110,000 at September 30, 2023 and September 30, 2022, respectively, and is recorded as a reduction of stockholders' deficit in the accompanying consolidated balance sheets and statements of changes in stockholders' equity (deficit).

* * * * *

UNAUDITED FINANCIAL STATEMENTS

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Balance Sheets-UNAUDITED
December 31, 2024

Assets		
Current assets:		
Cash and cash equivalents	$	11,262,361
Accounts receivable		2,528,299
Inventories		823,811
Prepaid expenses and other current assets		1,092,380
Total current assets		15,706,851
Property and equipment, net		11,641,347
Operating lease right-of-use assets		4,953,040
Finance lease right-of-use assets		268,639
Goodwill, net		264,686
Other assets		1,554,786
Total assets	$	34,389,349
Liabilities		
Current liabilities:		
Current portion of long-term debt	$	1,763,947
Current portion of note payable		96,946
Accounts payable and accrued expenses		6,919,743
Current portion of operating lease liabilities		735,292
Current portion of finance lease liabilities		77,222
Current portion of deferred revenue		1,702,805
Total current liabilities		11,295,955
Long-term debt, net of current portion and deferred loan costs		18,391,304
Note payable, net of current portion		309,978
Deferred revenue, net of current portion		802,537
Operating lease liabilities, net of current portion		4,600,331
Finance lease liabilities, net of current portion		202,725
Other liabilities		38,415
Total liabilities		35,641,245
Stockholders' Equity (Deficit)		
Common stock, no par value; 1,000,000 shares authorized;		
633 shares issued and outstanding		314,242
Notes receivable from stockholders		-
Retained earnings (Accummulated deficit)		(1,566,138)
Total stockholders' equity (deficit)		(1,251,896)
Total liabilities and stockholders' equity (deficit)	$	34,389,349

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Home-Grown Industries of Georgia, Inc. and Subsidiaries

Consolidated Statement of Earnings-UNAUDITED
For the Three Months ended December 31, 2024

Revenues:		
Restaurant sales	$	2,297,121
Franchise royalties, advertising and fees		9,048,779
Commissary sales		4,863,394
Other		0
Total revenues		16,209,294
Costs and expenses:		
Restaurant operating costs:		
Cost of sales		725,114
Operating		1,490,062
Corporate operating costs		12,216,568
Total costs and expenses		14,431,744
Income from operations		1,777,550
Other income (expense):		
Interest income		88,106
Interest expense		(140,870)
Other expense, net		(61,577)
Net income	$	1,663,209

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

EXHIBIT B

FRANCHISE AGREEMENT

HOME-GROWN INDUSTRIES OF GEORGIA, INC.

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

RESTAURANT ADDRESS

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Exhibit A Listing of Ownership Interests
Exhibit B Restaurant Site
Exhibit C Rider and Special Stipulations

Guaranty and Assumption of Obligations

HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into by and between **HOME-GROWN INDUSTRIES OF GEORGIA, INC.**, a Georgia corporation d/b/a MELLOW MUSHROOM (the "Franchisor"), and _____ (the "Franchisee") as of the date signed by Franchisor and set forth opposite Franchisor's signature on this Agreement.

RECITALS

WHEREAS, Franchisor has developed a system (the "Mellow Mushroom System") for establishing and operating retail restaurants selling pizza and related food products, clothing, souvenirs, and novelty items to the general public ("Mellow Mushroom Restaurants");

WHEREAS, the Mellow Mushroom System consists of general restaurant layouts and designs, equipment, interior and exterior decoration, signage specifications, menus of standard appearance and design, recipes, formulas, specially-designed paper goods and other items used in dispensing food products, clothing, souvenirs and novelty items, advertising, trade practices, operating methods, a proprietary branded online ordering web site, various business forms, training materials, manuals, sales techniques, and bookkeeping and accounting systems;

WHEREAS, Franchisor has acquired and owns the trade name, service mark, and trademark "Mellow Mushroom" and certain designs, phrases, logos, and other trademarks (the "Marks") for use in operating a Mellow Mushroom Restaurant under the Mellow Mushroom System according to this Agreement's terms; and

WHEREAS, Franchisee desires to acquire a franchise to operate a Mellow Mushroom Restaurant, and Franchisor desires to grant Franchisee a franchise, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above facts and the terms and conditions set forth in this Agreement, the parties agree as follows:

1. INCORPORATION OF RECITALS AND ACKNOWLEDGMENTS.

The recitals set forth above are true and correct and incorporated by reference into the body of this Agreement. Franchisee acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts that the terms, conditions, and covenants contained in this Agreement are reasonably necessary for Franchisor to maintain its high standards of quality and service (and the uniformity of those standards at each Mellow Mushroom Restaurant) and to protect and preserve the goodwill of the Marks. Franchisee acknowledges it has independently investigated the business venture this Agreement contemplates and recognizes that, like any other business, the nature of a Mellow Mushroom Restaurant's business may evolve and change over time, an investment in a Mellow Mushroom Restaurant involves business risks, and Franchisee's business abilities and efforts are vital to the venture's success. Information relating to the sales, profits, or cash flows of Mellow Mushroom

Restaurants that Franchisor or its franchisees operate that is contained in Franchisor's Franchise Disclosure Document and other materials, if any, is only to indicate historical financial performance of Mellow Mushroom Restaurants. Franchisor expressly disclaims the making of, and Franchisee acknowledges it has not received or relied upon, any guaranty or representation, express or implied, of the revenue, profits, or success of the business venture this Agreement contemplates or the extent to which Franchisor will continue to develop and expand the network of Mellow Mushroom Restaurants. Franchisee acknowledges it has not received or relied on any representations about the franchise, Franchisor, or its franchising program contradicting the statements made in Franchisor's Franchise Disclosure Document or this Agreement's terms. Any information Franchisee acquires from other Mellow Mushroom Restaurant franchisees of their sales, profits, or cash flows is not information obtained from Franchisor, and Franchisor makes no representation about that information's accuracy. Franchisee acknowledges that, in all of their dealings with Franchisee, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity. All business dealings between Franchisee and these persons as a result of this Agreement are only between Franchisor and Franchisee.

Franchisee represents to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Franchisee made and all materials it submitted to Franchisor in acquiring the franchise are accurate and complete, and Franchisee made no misrepresentations or material omissions in obtaining the franchise. Franchisor has agreed to grant Franchisee a franchise based on tangible and intangible qualities that Franchisee and its owners have led Franchisor to believe they have. Who Franchisee and its owners are is important and, together with all of Franchisee's representations, influenced Franchisor's decision to grant this franchise.

2. GRANT OF FRANCHISE.

Subject to this Agreement's terms, Franchisor grants to Franchisee during this Agreement's term the right and license (the "Franchise") to use the Mellow Mushroom System and Marks in operating a Mellow Mushroom Restaurant (the "Restaurant") at the address set forth or to be set forth (in accordance with Section 6.A.) in Exhibit "B" (the "Restaurant Site") and within an exclusive territory equal to a radius of three (3) miles from the Restaurant Site's front entrance (the "Exclusive Territory"). Franchisee may use the Mellow Mushroom System and Marks solely in connection with operating the Restaurant according to this Agreement's terms and all instructions, rules, and procedures Franchisor prescribes from time to time. The Marks may be used solely in connection with the products and services Franchisor designates. Nothing contained in this Agreement authorizes Franchisee's use of the Mellow Mushroom System and/or Marks at any other location or for any other purpose.

3. TERM OF FRANCHISE.

A. Initial Term.

The initial term of this Agreement will be fifteen (15) years, commencing on the date Franchisor executes this Agreement (the "Term"). Franchisee agrees to operate the Restaurant in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 20.A.

B. Right to Acquire A Successor Franchise.

(1) When this Agreement expires, if Franchisee (and each of its owners) has substantially complied with this Agreement during the Term, and provided that:

(a) Franchisee maintains possession of and agrees (regardless of cost) to remodel and/or expand the Restaurant, add or replace improvements and operating assets, and otherwise modify the Restaurant as Franchisor requires to comply with specifications and standards then applicable for Mellow Mushroom Restaurants, or

(b) if Franchisee cannot maintain possession of the Restaurant Site, or if in Franchisor's sole judgment the Restaurant should be relocated, Franchisee secures a substitute site within a time period acceptable to Franchisor, develops this site according to specifications and standards then applicable for Mellow Mushroom Restaurants, and continues to operate the Restaurant at the Restaurant Site until transferring operations to the substitute site,

then, subject to the terms and conditions set forth in this Subsection 3.B., Franchisee may acquire one (1) successor franchise to operate the Restaurant as a Mellow Mushroom Restaurant on the terms and conditions of the franchise agreement Franchisor then uses to grant franchises for Mellow Mushroom Restaurants (modified as necessary to reflect that it is for a successor franchise and Franchisee will have no further successor-franchise rights), which may contain provisions materially different from any and all of those contained in this Agreement (including no Exclusive Territory or a modified Exclusive Territory), provided, however, the successor-franchise term will be five (5) years and Franchisee will be obligated to pay a successor-franchise fee of Ten Thousand Dollars ($10,000) rather than the then-current initial franchise fee Franchisor charges.

(2) Franchisee agrees to give Franchisor written notice of its election to acquire a successor franchise during the fourteenth (14th) year of the Term. After receiving such notice, Franchisor agrees to give Franchisee written notice ("Franchisor's Notice") at least one hundred eighty (180) days before the end of the Term of Franchisor's decision under subparagraph (1) above:

(a) to grant Franchisee a successor franchise;

(b) to grant Franchisee a successor franchise on the condition that Franchisee corrects deficiencies of the Restaurant or in Franchisee's operation of the Restaurant; or

(c) not to grant Franchisee a successor franchise based on Franchisor's determination that Franchisee and its owners have not substantially complied with this Agreement during the Term or located an acceptable substitute site for the Restaurant.

If applicable, Franchisor's Notice will:

(i) describe the remodeling and/or expansion and other improvements or modifications required to bring the Restaurant into compliance with then-applicable specifications and standards for Mellow Mushroom Restaurants; and

(ii) state the actions Franchisee must take to correct operating deficiencies and the time period in which it must correct these deficiencies.

If Franchisor elects not to grant a successor franchise, Franchisor's Notice will describe the reasons for its decision. Franchisee's right to acquire a successor franchise is subject to its continued compliance with all of the terms and conditions of this Agreement through its expiration date, in addition to its compliance with the obligations described in Franchisor's Notice.

If Franchisor's Notice states that Franchisee must cure certain deficiencies of the Restaurant or its operation as a condition to the grant of a successor franchise, Franchisor will give Franchisee written notice of its decision not to grant a successor franchise, based upon Franchisee's failure to cure those deficiencies, not less than ninety (90) days before this Agreement expires, provided, however, Franchisor need not give Franchisee this ninety (90) days' notice if it decides not to grant Franchisee a successor franchise due to Franchisee's breach of this Agreement during the ninety (90)-day period before it expires. If Franchisor fails to give Franchisee:

(x) notice of deficiencies in the Restaurant, or in Franchisee's operation of the Restaurant, at least one hundred eighty (180) days before this Agreement expires (if Franchisor elects to grant Franchisee a successor franchise under subparagraphs (b) and (ii) above); or

(y) notice of Franchisor's decision not to grant a successor franchise at least ninety (90) days before this Agreement expires, if this notice is required,

Franchisor may unilaterally extend the Term for the time necessary to give Franchisee either reasonable time to correct deficiencies or the ninety (90) days' notice of Franchisor's refusal to grant a successor franchise. If Franchisee fails to notify Franchisor of its election to acquire a successor franchise within the prescribed time period, Franchisor may refuse to grant Franchisee a successor franchise.

(3) If Franchisee satisfies all other conditions for the grant of a successor franchise, Franchisee and its owners agree to execute the form of franchise agreement and any ancillary agreements (including, but not limited to, a Guaranty and Assumption of Obligations) Franchisor then customarily uses in granting franchises for Mellow Mushroom Restaurants (modified as necessary to reflect that it is for a successor franchise and Franchisee will have no further successor-franchise rights), which may contain provisions materially different from any and all of those contained in this Agreement, including no Exclusive Territory or a modified Exclusive Territory.

Franchisee and its owners further agree to execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors, and assigns. Franchisee's or its owners' failure to sign those agreements and releases and return them to Franchisor, with the successor-franchise fee, for acceptance and execution within thirty (30) days after their delivery to Franchisee will be deemed Franchisee's election not to acquire a successor franchise.

4. INITIAL FRANCHISE FEE.

Franchisee agrees to pay Franchisor a nonrecurring and nonrefundable initial franchise fee of Fifty Thousand Dollars ($50,000) (the "Franchise Fee"), payable concurrently with, and fully earned upon, the execution of this Agreement.

5. EXCLUSIVE TERRITORY.

A. Boundaries.

Franchisee is granted the right to operate its Restaurant within the Exclusive Territory. Franchisee specifically acknowledges that Franchisor does not guarantee the success or profitability of Franchisee's Restaurant.

B. Protection of Franchisor.

During the Term, and except as otherwise provided in this Agreement, Franchisor may not own, operate, or issue a franchise for any other Mellow Mushroom Restaurant that has its physical location within the Exclusive Territory, provided, however, Franchisor:

(1) may establish, and allow other franchisees to establish, Mellow Mushroom Restaurants at any locations outside the Exclusive Territory (including at the boundary of the Exclusive Territory) and on any terms and conditions Franchisor deems appropriate;

(2) may allow Mellow Mushroom Restaurants located outside the Exclusive Territory to deliver products to customers located within the Exclusive Territory;

(3) may sell products and services identical, similar, or dissimilar to the products and services Franchisee's Restaurant sells, whether identified by the Marks or other trademarks or service marks, through retail stores (other than Mellow Mushroom Restaurants) located within the Exclusive Territory and through any other distribution channels located and/or operating within the Exclusive Territory; and

(4) may engage in all other business activities not expressly prohibited by this Agreement.

C. Restrictions on Franchisee.

The Franchise is granted only for the operation of the Restaurant at the Restaurant Site, and Franchisee may not relocate its Restaurant, whether within or outside the Exclusive Territory, without Franchisor's prior written consent. Franchisee may deliver the Restaurant's

products outside its Exclusive Territory as long as it follows Franchisor's standards and specifications. However, Franchisee may not, without Franchisor's prior written consent and without following Franchisor's required standards, specifications, and operating procedures, engage in any promotional activities or sell any food or other products, whether directly or indirectly, through or on the Internet, the World Wide Web, or any similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media").

6. SELECTION AND LEASE OF RESTAURANT SITE.

A. Site Selection and Acceptance.

(1) If the Restaurant's address is unknown as of this Agreement's effective date, this Section 6.A. will govern the site selection and acceptance process. Within six (6) months after this Agreement's effective date, Franchisee must find and obtain Franchisor's written acceptance of a site within the non-exclusive geographical area described in Exhibit B (the "Site Selection Area") at which to operate the Restaurant. Within an additional two (2) months after Franchisee finds and obtains Franchisor's written acceptance of that proposed Restaurant site, Franchisee must secure the site under a Lease (defined in Section 6.B. below) acceptable to Franchisor. The timeframes during which Franchisee must search for, propose, obtain Franchisor's written acceptance of, and secure the Restaurant's site within the Site Selection Area (the "Site Selection Period") will expire upon the earliest of (a) Franchisor's acceptance of the Restaurant's site and Lease and giving Franchisee an amended and restated Exhibit B, (b) this Agreement's termination, or (c) eight (8) months after this Agreement's effective date.

(2) Franchisee must locate, evaluate, and select the Restaurant's site. Franchisor will not search for or select the site for Franchisee. Franchisor will review potential Restaurant sites that Franchisee identifies within the Site Selection Area and visit the Site Selection Area to review potential Restaurant sites. Franchisor has the right to condition its acceptance of a proposed site, or a proposed site visit, on Franchisee first sending Franchisor complete site reports and other materials (including, without limitation, photographs and digital recordings) Franchisor requests. Franchisor will give Franchisee its then-current criteria for Mellow Mushroom Restaurants (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, ingress and egress, size, and other physical and commercial characteristics) to help in the site-selection process. However, even if Franchisor recommends or gives Franchisee information regarding a potential site or site criteria, Franchisee acknowledges that Franchisor has made, and will make, no representations or warranties of any kind, express or implied, about the site's suitability for a Mellow Mushroom Restaurant or the likelihood that Franchisor ultimately will accept that site for the Restaurant's location.

(3) Franchisee must submit all information Franchisor requests when Franchisee proposes a site, including an abstract specifying the key terms of the proposed Lease or purchase transaction. Franchisor will not unreasonably withhold its acceptance of a site if, in its experience and based on the factors outlined above, the proposed site is not inconsistent with sites that Franchisor regards as favorable or that otherwise have

been successful sites in the past for Mellow Mushroom Restaurants. However, Franchisor has the absolute right to reject any site not meeting its criteria or to require Franchisee to acknowledge in writing that a site Franchisee prefers, while acceptable to Franchisor, is not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a Mellow Mushroom Restaurant. Franchisor will use reasonable efforts to review and accept or reject each site Franchisee proposes within twenty (20) days after Franchisor receives all requested information and materials. If Franchisor does not accept the site in writing within such twenty (20) days, the site will be deemed rejected.

(4) Franchisor's recommendation or acceptance of a site that Franchisee ultimately selects for its Restaurant indicates only that Franchisor believes the site is not inconsistent with sites that Franchisor regards as favorable or that otherwise have been successful sites in the past for Mellow Mushroom Restaurants. Applying criteria appearing effective with other sites might not accurately reflect the potential of all sites, and demographic or other factors included in or excluded from Franchisor's criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if the particular site fails to meet Franchisee's expectations. Once a proposed site is accepted and secured, Franchisor will list the accepted site's location as the Restaurant's address in Exhibit B, and the Exclusive Territory will apply with respect to that site.

(5) If Franchisee does not either (a) find an acceptable Restaurant site within six (6) months after this Agreement's effective date or (b) secure that Restaurant site within an additional two (2) months after obtaining Franchisor's written acceptance of that Restaurant site (as provided in Section 6.B. below), Franchisor has the right to terminate this Agreement, effective upon delivery of written notice to Franchisee (i.e., each is a separate contractual obligation with which Franchisee must comply). Franchisor will not return to Franchisee any portion of the Initial Franchise Fee.

(6) Franchisee may not relocate the Restaurant to a new site without Franchisor's prior written consent, which Franchisor has the right to grant or deny as it deems best. Franchisor has the right to condition relocation approval on (a) the new site and its lease being acceptable to Franchisor, (b) Franchisee reimbursing any costs Franchisor incurs during the relocation process, (c) Franchisee confirming that this Agreement remains in effect and governs the Restaurant's operation at the new site with no change in the Term or, at Franchisor's option, Franchisee signing Franchisor's then-current form of franchise agreement to govern the Restaurant's operation at the new site for a new franchise term, (d) Franchisee signing a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its owners, affiliates, officers, directors, employees, and agents, (e) Franchisee continuing to operate the Restaurant at its original site until Franchisor authorizes its closure, and (f) Franchisee taking within the timeframe Franchisor specifies, and at Franchisee's own expense, all action Franchisor requires to de-brand and de-identify the Restaurant's former premises so it no longer is associated in any manner (in Franchisor's opinion) with the Franchise System and the Marks.

B. Lease of Site.

(1) Franchisee must send Franchisor for its review and written acceptance, which Franchisor will not unreasonably withhold, both (a) the proposed terms (as they appear in, for example, a landlord letter of intent or lease abstract) of any lease or sublease (and any renewals, amendments, or extensions of the lease or sublease) (collectively, the "**Lease**") that will govern Franchisee's occupancy and lawful possession of the Restaurant's site and (b) the actual Lease, in each case after receipt from the landlord. Franchisor will have twenty (20) days after receiving the proposed Lease terms, and an additional twenty (20) days after receiving the actual Lease (these time periods will not overlap or run concurrently without Franchisor's prior written approval), to review and either accept or reject what Franchisee sends Franchisor. The Lease must include the Rider and Special Stipulations substantially in the form attached to this Agreement as Exhibit C. Franchisee may not sign any Lease that Franchisor has not accepted in writing. Franchisor has the right (but no obligation) to guide or assist Franchisee with the leasing process but will not negotiate the Lease for Franchisee or provide any legal advice.

(2) If Franchisor does not accept the proposed Lease terms, or the actual Lease, in writing within the applicable twenty (20)-day period after receiving them from Franchisee, the Lease terms or the Lease, as applicable, will be deemed rejected. Franchisor's guidance, assistance, and written acceptance of the Lease are not a guarantee or warranty, express or implied, of the Restaurant's success or profitability or of the Lease's suitability for Franchisee's business purposes. Franchisor's acceptance indicates only that Franchisor believes the site and the Lease terms adequately protect Franchisor's interests and/or the interests of other Mellow Mushroom Restaurant franchisees, to the extent those interests are implicated in the Lease. Franchisee must have a signed Lease by the end of the Site Selection Period. Franchisee must send Franchisor a true copy of the signed lease within ten (10) days after it is fully executed. After the Lease is executed, Franchisee must send Franchisor prior notice of any revisions to its terms, whether proposed by Franchisee or the landlord, and Franchisor has the right to accept or reject those proposed revisions before they become effective.

7. LEASEHOLD IMPROVEMENTS, FIXTURES, AND EQUIPMENT.

A. Obligations of Franchisee to Open.

Within ten (10) months after the date Franchisee signs the Restaurant's Lease (regardless of the first day of the Lease's term), but not later than eighteen (18) months after this Agreement's effective date, Franchisee must (1) at its sole expense, construct, remodel, furnish, and equip its Restaurant in accordance with Franchisor's current requirements and specifications as provided below in this Section 7 and as Franchisor specifies in writing from time to time, and (2) open the Restaurant for business to the public.

B. Architectural and Site Plans and Specifications.

(1) Franchisor will oversee overall implementation of the Restaurant's build-out project with respect to communications, schedule, general budget parameters, and overall design execution. It will provide requirements or guidance for the Restaurant's overall design direction along with a Franchisor-approved Brand Direction Guide or other materials for, among other things, furniture, finishes, bar layout, kitchen layout, and retail options. Franchisor reserves the right to require that the design include an area to display and sell Mellow Mushroom merchandise.

Franchisee is responsible for all costs of designing the Restaurant in accordance with Franchisor's requirements. Franchisor will approve, on Franchisee's behalf and for Franchisee to hire, one or more third parties (such as architects and/or engineers) to prepare interior/exterior site and construction documents for the Restaurant. Franchisee must use the architect(s) and/or engineer(s) Franchisor approves and require all such service providers to give Franchisee and Franchisor, upon completing the project, all close-out manuals or other documentation confirming adherence to all project specifications. Franchisee must pay all architectural fees (including any site or civil engineering required for site preparation) associated with the project (identified in the services contract Franchisee must sign) directly to the architect and engineer. The amount of such fees depends on the project's scope and nature. Franchisee may not hire an architect or engineer Franchisor has not approved. The civil engineer may be an employee of the architectural firm or a civil-engineering firm hired by the architect or franchisee. Franchisee's architects and professional consultants must be contracted throughout the project's entire construction administration phase because they will be responsible for clarifying any architecture and design-related "Requests for Information" ("RFIs") during the construction phase. If the architect's contract is dissolved before the project is completed and Franchisor must provide answers to RFIs, Franchisor will not be responsible for any issues that arise afterward.

(2) Upon receiving the plans for the Restaurant Site and Restaurant, Franchisee must obtain its landlord's written approval of the plans and any required construction permits. Franchisee may not begin constructing the Restaurant until Franchisor accepts in writing the complete, final set of plans and specifications (including for exterior signage) for the Restaurant, as approved by the landlord. If the landlord refuses to approve the Restaurant's proposed plans or any modifications of those plans approved by Franchisor after receiving the landlord's input, as a result of which Franchisee cannot develop the Restaurant in accordance with Franchisor's standards and specifications for the Mellow Mushroom Restaurant proposed to be developed at the Restaurant Site, Franchisor may terminate this Agreement.

(3) Franchisor may specify how and through which format Franchisee and its architect(s), engineer(s), and related service providers must present plans, specifications, and designs to Franchisor, including in a formal presentation to Franchisor. Franchisor will promptly review the final plans and specifications (including for exterior signage) presented to it and accept or provide comments on them. Unless Franchisor expressly rejects such plans and specifications within twenty (20) business days after it receives them, they are deemed to be accepted. Franchisee must obtain Franchisor's written acceptance of any and all changes in the Restaurant's plans before implementing the changes, whether before or during the Restaurant's construction, which acceptance will not be unreasonably withheld. If such changes are not

expressly rejected by Franchisor within twenty (20) business days, they are deemed to be accepted. However, if Franchisor rejects any changes to what it had considered to be the final plans and specifications, Franchisee is solely responsible for all costs associated with changing back to the original design.

(4) If at any time Franchisor determines in its sole judgment that the approved or designated architect and/or engineer is not performing its services according to this Agreement's requirements, then Franchisor may require Franchisee immediately to terminate its relationship with the architect and/or engineer and replace him or her with a different architect and/or engineer approved by Franchisor.

(5) Franchisee agrees to commission and pay for an artwork package designed and created by Franchisor for the Restaurant, which work will be completed pursuant to a separate agreement between Franchisee and an artist or artists chosen by Franchisor for Franchisee (the "Art Package"). All aspects of the Art Package's form and content that Franchisee commissions are subject to Franchisor's approval before Franchisee may commission and install the Art Package. Franchisee must pay all Art Package fees directly to the artist(s), the amount of which depends on the Restaurant's square footage.

C. Construction and Inspection.

(1) Franchisee must, at its own cost, employ a general contractor and others necessary to construct the Restaurant in accordance with the construction documents accepted by Franchisor and any other Franchisor requirements. Franchisee must hire the general contractor Franchisor approves to perform the required construction work at the Restaurant. If Franchisor does not recommend a general contractor, Franchisee must engage a third-party contractor; it may not act as its own contractor. Before Franchisee hires the general contractor, Franchisee must submit to Franchisor for its written acceptance the name of the proposed general contractor, the proposed contractor agreement, and such other information regarding the general contractor as Franchisor reasonably requires. Franchisee may not engage a general contractor whom, or sign a contractor agreement that, Franchisor has not accepted. If at any time Franchisor determines in its sole judgment that the general contractor is not performing its services according to this Agreement's requirements, then Franchisor may require Franchisee immediately to terminate its relationship with the general contractor and replace him or her with a different contractor accepted by Franchisor. Franchisor will not, by virtue of its acceptance or recommendation of the general contractor or otherwise, be responsible for delays in constructing, equipping, or decorating the Restaurant or any loss or damage to Franchisee or any third party resulting from the Restaurant's design or construction.

(2) Franchisor may access the Restaurant Site while work is in progress and require reasonable alterations to the Restaurant it deems necessary. Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on constructing and equipping the Restaurant, but it will be Franchisee's sole responsibility diligently to construct, equip, and open the Restaurant.

(3) Franchisor will make a final inspection of the completed Restaurant and may require corrections and modifications it deems necessary to bring the Restaurant into compliance

with accepted plans and specifications. The Restaurant may not open if it does not conform to those plans and specifications. Failure to correct promptly any unauthorized variance from the accepted plans and specifications will result in termination of this Agreement.

(4) In addition, if Franchisee's Restaurant is at any time to be altered or remodeled, if artwork is to be modified or added, if additional decorations, fixtures, furniture, or equipment is to be installed or substituted, or if signs are to be erected or altered, Franchisor must approve all such work before it begins. If Franchisee begins such work without Franchisor's pre-approval, Franchisee is solely responsible for all costs associated with returning the Restaurant to its original state if Franchisor does not approve the work that was done. Any such remodeling will be subject to the provisions in Subsection 7.B. above and this Subsection 7.C. Although not obligated to do so, Franchisor may inspect such work at any time to determine whether the work is being done according to the plans and specifications it previously accepted.

D. Additional Layout Plans.

Subject to Franchisor's prior written approval, if Franchisee changes the Restaurant's location at any time during the Term, Franchisee must conform such Restaurant Site to the then-current layout and specifications for Mellow Mushroom Restaurants and is solely responsible for all related costs and expenses. Should Franchisee require additional layout plans for constructing its relocated Restaurant, subject to other provisions of this Agreement, Franchisee must pay Franchisor for the costs and expenses Franchisor incurs in providing such suggested layout plans for the new Restaurant Site.

E. Fixtures, Furniture, and Equipment.

Franchisee agrees to use in developing and operating its Restaurant those types of fixtures, furniture, and equipment Franchisor requires. The specifications Franchisor provides for typical fixtures, furniture, and equipment do not limit Franchisee's obligation to provide all required fixtures, furniture, and equipment for the Restaurant at its sole expense. Franchisor may provide specifications for required items, which include, without limitation, a computer system (including wireless access point), a telephone and telephone-answering system, retail merchandise display, a stereo/audio/video system, and a point-of-sale-information system.

If Franchisor suggests certain suppliers, it does so only as an accommodation to Franchisee. Except as provided in Subsection 8.A. below, Franchisee has the right to substitute suppliers and to purchase or lease the required fixtures, furniture, and equipment from any source, provided the items to be purchased are in strict accordance with Franchisor's specifications. Used fixtures, furniture, or equipment are not normally permitted in the Restaurant. Franchisee must receive Franchisor's prior written approval to install any used fixtures, furniture, or equipment in its Restaurant.

F. Signs.

Franchisee must install and display, at its sole expense, all signs to be used in the Restaurant, both exterior and interior, which must conform to the criteria set forth in the Lease and prescribed by Franchisor as to type, color, size, design, and location, as provided in the

Mellow Mushroom Confidential Operations Manual (the "Manual") or as Franchisor otherwise specifies. Before Franchisee commences operation of the Restaurant, all signs must be acquired from a supplier Franchisor designates or approves (as provided in Sections 8.A(2) and 9.C. below), be approved in writing by Franchisor prior to installation or display, and be installed in accordance with Franchisor's approval.

G. Maintenance and Repair.

Maintenance and repair of the Restaurant are Franchisee's sole responsibility. Franchisee must maintain its equipment, decor, furnishings, fixtures, and all other tangible property in the Restaurant in a clean, attractive condition and good repair, regardless of their source, and replace any items which become obsolete or mechanically impaired to the extent they no longer adequately perform the functions for which they were originally intended. Replacement equipment and fixtures must be of the same type and quality as those being used in new Mellow Mushroom Restaurants being developed at the time. All replacement equipment and fixtures must comply with Franchisor's requirements and specifications.

H. Computer System.

(1) Franchisee agrees to use in operating the Restaurant the computer equipment, technology products, and technology systems ("Computer System") Franchisor specifies or approves, which includes the point-of-sale system described in Section 8.J. below and any and all equipment components and software necessary for Franchisee to accept and process online orders and Franchisor's gift and loyalty cards and participate in Franchisor's gift card, customer loyalty, affinity, and similar programs. The Computer System must be acquired from a supplier Franchisor designates or approves (as provided in Sections 8.A(2) and 9.C. below). Franchisee must ensure that the Computer System and networks are adequately maintained and protected from unauthorized access. Franchisee must subscribe to a service Franchisor specifies to install an appropriate firewall. Franchisee must ensure that all operating-systems software is regularly maintained and updated in accordance with the manufacturers' specifications and in compliance with Payment Card Industry (PCI) Compliance Standards.

(2) Franchisor may at any time during the Term require Franchisee to obtain specified computer hardware and/or software and modify specifications for and components of the Computer System. Modification of specifications for the Computer System and/or other technological developments or events might require Franchisee to purchase, lease, and/or license new or modified Computer Systems and to obtain service and support for the Computer System. Although Franchisor cannot estimate the Computer System's future costs, and although these costs might not be fully amortizable over the remaining portion of the Term, Franchisee agrees to pay the costs of obtaining the Computer System (or additions and modifications) and required service or support. Within sixty (60) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain the Computer System components that Franchisor designates.

(3) Franchisor may charge Franchisee a reasonable fee for modifying and enhancing proprietary software that Franchisor licenses to Franchisee and for other Computer System maintenance and support programs and services Franchisor or its affiliates provide. If Franchisor or its affiliates license proprietary software to Franchisee, Franchisee agrees to sign any Software

License Agreement or similar document Franchisor or its affiliates prescribe to regulate Franchisee's use of, and the parties' respective rights and responsibilities with respect to, the software.

8. METHODS AND STANDARDS OF OPERATIONS.

In order to maintain uniform standards of operation for all Mellow Mushroom Restaurants and to protect the goodwill of Franchisor, the Mellow Mushroom System, and the Marks, Franchisee agrees to follow the methods and standards of operation Franchisor establishes.

A. Standards Established by Franchisor.

(1) Franchisor retains the right to prescribe in the Manual the standards of quality, service, production, merchandising, construction, design direction, furnishings, finishes, and advertising for the Restaurant at all times during the Term. Franchisee agrees to comply strictly with all mandatory specifications, standards, and operating procedures comprising the Mellow Mushroom System, as set forth in the Manual and as Franchisor otherwise communicates from time to time, and not to deviate from them without Franchisor's prior written consent. Franchisor has developed and may further develop standards and specifications for products, services (including gift, loyalty, and affinity card products and services), equipment (including signage and retail displays), ingredients, supplies, materials, and merchandise (including clothing, souvenirs, and novelty items).

(2) Franchisor reserves the right from time to time to approve distributors or suppliers (collectively "suppliers") of any or all of these items and services so as to instill quality, consistency, and control throughout the Mellow Mushroom System. Further, Franchisor may designate a single supplier or distributor for any item or service. The designated supplier or distributor may be Franchisor or an affiliate of Franchisor. Unless Franchisor directs Franchisee otherwise, Franchisee may purchase these items and services, except the Proprietary Products (as defined in Subsection 8.B.), from any source if the distributor or supplier and the items and services to be purchased strictly comply with Franchisor's standards and specifications. If Franchisor approves suppliers or designates a distributor or supplier for an item or service, Franchisee must purchase that item or service only from an approved supplier or the designated distributor or supplier, as applicable.

(3) Included among the mandatory specifications, standards, and operating procedures with which Franchisee must comply are those relating to issuing and honoring/redeeming gift certificates, coupons, and gift, loyalty, and affinity cards and administering gift-card and other customer loyalty, affinity, and similar programs. Franchisee must participate in, and comply with the requirements of, Franchisor's gift card and other customer loyalty, affinity, and similar programs (including Franchisor's issuing and honoring/redemption procedures and giving Franchisor all customer-specific information Franchisee receives or generates from operating the Restaurant, which customer-specific information Franchisor will be deemed to own). Franchisor may keep any prepaid amounts not used by customers to the extent allowed by applicable law. Franchisor has no obligation to

reimburse Franchisee for any costs Franchisee incurs in participating in the types of programs referenced above, including for providing products to customers without compensation.

(4) Franchisee also must comply, to the extent allowed by applicable law, with Franchisor's mandatory specifications, standards, and operating procedures relating to using social media, and mobile or digital ordering and Mellow Mushroom System applications and other digital channels ("Apps"), in connection with its operation of the Restaurant, including prohibitions (but only if they do not violate applicable law) on Franchisee's and the Restaurant's employees' posting or blogging comments about the Restaurant or the Mellow Mushroom system ("social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like X (formerly Twitter), virtual worlds, file, audio, and video-sharing sites like Instagram, and other similar social-networking or media sites or tools).

(5) Franchisee may sell no product, service, or other item at the Restaurant unless approved by Franchisor. Franchisee may not, without Franchisor's prior written consent, sell, dispense, give away, or otherwise provide Franchisor's products, or any products bearing the Marks, except through retail sales in the Restaurant or approved delivery services. Franchisee must deliver products to customers, engage with third-party-food-ordering and delivery systems, and ring up and account for delivery and catering charges not included in the price of products only in the manner Franchisor permits. In addition, all menu items must be made in strict compliance with Franchisor's specifications, recipes, and requirements. Franchisee must submit in writing to Franchisor for approval all contemplated menu changes and may not make such changes without Franchisor's prior written consent. In addition, Franchisee must at all times maintain a supply of such food products sufficient to meet public demand.

(6) Franchisee acknowledges the importance of operating the Restaurant in full compliance with this Agreement and Franchisor's mandatory specifications, standards, and operating procedures. Deviating from any contractual requirement, including any mandatory specification, standard, or operating procedure, is a violation of this Agreement and will trigger incalculable administrative and management costs for Franchisor to address the violation (separate and apart from any damages Franchisee's violation might cause to the Mellow Mushroom System, Franchisor's business opportunities, or the goodwill associated with the Marks). Therefore, Franchisee agrees to compensate Franchisor for its incalculable administrative and management costs by paying Franchisor Two Hundred Fifty Dollars ($250) for each deviation from a contractual requirement, including any mandatory specification, standard, or operating procedure cited by Franchisor (**the "Non-Compliance Fee"**). However, if Franchisor discovers that same (or a substantially similar) deviation on one or more consecutive, subsequent visits to or inspections of the Restaurant, the Non-Compliance Fee will at Franchisor's option be Five Hundred Dollars ($500) for the first repeat deviation and One Thousand Dollars ($1,000) for the second and each subsequent repeat deviation. (The Non-Compliance Fee does not apply to payment defaults for which Franchisor may charge late fees and interest under Section 13.E. below.)

Franchisor and Franchisee deem the Non-Compliance Fee to be a reasonable estimate of Franchisor's administrative and management costs and not a penalty. Franchisor may debit Franchisee's bank account for Non-Compliance Fees or set off monies otherwise due and

payable to Franchisee to cover the payment of Non-Compliance Fees. Franchisor must receive the Non-Compliance Fee within five (5) days after it notifies Franchisee that Franchisor is charging it due to Franchisee's violation. Franchisor need not give Franchisee a cure opportunity before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not prevent Franchisor from seeking to recover damages to the Mellow Mushroom System, its business opportunities, or the goodwill associated with the Marks due to Franchisee's violation, seeking injunctive relief to restrain any subsequent or continuing violation, and/or formally defaulting Franchisee and terminating this Agreement under Section 20.A.(2).

B. Purchase of Proprietary Products.

The pizza dough and tomato sauce/spice mix and certain other products (including those which might be developed from time to time) (collectively, the "Proprietary Products") used in preparing Mellow Mushroom Restaurant food products are unique, and their formula and manufacturing process constitute trade secrets essential to the success of the Mellow Mushroom System. The Proprietary Products must be used as Franchisor prescribes. Franchisee must purchase the pizza dough and tomato sauce/spice mix and other Proprietary Products exclusively from Franchisor or its designee and no other source at such prices and under such terms as Franchisor or its designee establishes from time to time. The right to purchase and use the Proprietary Products is only co-extensive with the Term. Purchases of Proprietary Products other than from Franchisor or its designee, or use or sale of any similar products not supplied by Franchisor or its designee, will result in termination of this Agreement.

C. Manual.

Franchisor will give Franchisee access to the Manual before the Restaurant opens. The Manual will govern the Restaurant's operation. Changes may be made by Franchisor from time to time. Franchisee must treat the Manual as confidential and use all reasonable efforts to keep its information secret and confidential. Franchisee may not at any time without Franchisor's prior written consent (except as expressly permitted in the Manual) copy, duplicate, record, or otherwise reproduce these materials in whole or in part or make them available to any unauthorized person. Franchisee agrees that it will operate the Restaurant strictly according to the standards, specifications, and procedures set forth in the Manual and strictly comply with and accept as reasonable any modifications, revisions, and additions to the Manual which Franchisor in good faith believes to be necessary or desirable.

Franchisor currently posts the Manual on a Website, extranet, or intranet. Franchisee agrees to monitor and access the Website, extranet, or intranet as Franchisor specifies for any updates to the Manual or Franchisor's standards, specifications, and procedures. Any passwords or other digital identifications necessary to access the Manual on the Website, extranet, or intranet will be deemed to be part of Confidential Information (defined in Section 17.B. below).

D. Interior and Exterior Upkeep.

Franchisee must at all times maintain the appearance and condition of the Restaurant's interior and exterior and the surrounding area and comply with the Manual regarding upkeep of Mellow Mushroom Restaurants. Franchisee must repair, refinish, or paint the Restaurant's

exterior and interior at its own expense at such times Franchisor reasonably directs. Franchisor periodically may modify its standards, specifications, and operating procedures for Mellow Mushroom Restaurants, which may accommodate regional or local variations, and these modifications may obligate Franchisee to invest additional capital in the Restaurant and/or incur higher operating costs. Franchisee agrees to implement any changes in standards, specifications, and operating procedures within the time period Franchisor requests, whether they involve refurbishing or remodeling the Restaurant, buying new Restaurant operating assets, adding new products or services, or otherwise modifying the nature of the Restaurant's operations, as if they were part of this Agreement as of its effective date, even if the additional capital investment in the Restaurant at that time (in compliance with Franchisor's requirements) cannot be amortized over the remaining portion of the Term.

E. Hours of Operation.

Except as otherwise provided in the Manual or agreed to by Franchisor, the Restaurant must be open to the public from 11:00 a.m. until 10:00 p.m. Sunday through Thursday and from 11:00 a.m. to 12:00 midnight Friday and Saturday. The Restaurant must be closed on Christmas Day. Prior to Franchisor's execution of this Agreement, Franchisee must send Franchisor adequate proof, as determined by Franchisor, that the Restaurant is not prohibited by any governmental authority under applicable state or local regulations from operating as provided in this subsection.

F. Advertising Approval.

Unless provided by Franchisor, all local advertising, promotions, or other forms of publicity to be used by Franchisee, which may include, without limitation, newspaper, radio, and digital advertisements, signs, billboards, appearances by public figures, flyers, coupons, and promotional merchandise in the form of watches, T-shirts, caps, buttons, and similar items, must be submitted to Franchisor for review at least fifteen (15) days prior to use. No advertising, promotion, or publicity may be used without Franchisor's prior approval, which Franchisor may withhold as it deems appropriate. If Franchisor has not expressly rejected any item within these fifteen (15) days, they are accepted. Franchisor reserves the right to request that Franchisee resubmit any previously-accepted advertising or promotional material, at which time Franchisor may reinspect such material and consent to its continued use or withhold consent. As provided in Section 17.B.(6), all programs and advertising created by Franchisee or its advertising agencies will be deemed to be works made-for-hire for Franchisor and Franchisor's sole and exclusive property, which Franchisor may use and allow other franchisees to use however it deems best. Franchisee will take all action (and/or will cause its advertising agency to take all action) necessary to confirm Franchisor's ownership of all copyrights in the programs and advertising without any required payment by Franchisor. For example, Franchisee agrees to ensure that its contracts with advertising and other agencies state that Franchisor will, without any separate payment required, own all materials related to the Mellow Mushroom System prepared by such agencies and that such materials will be deemed to be works made-for-hire for Franchisor. Franchisee also is not entitled to any compensation from Franchisor for such materials.

G. Time and Attention.

(1) Throughout the Term, one of Franchisee's owners must be designated Franchisee's "Managing Owner," responsible personally for devoting his or her full time and best efforts to the Restaurant's construction, development, and operation and to whom Franchisor may give direction, and from whom Franchisor may receive feedback, on matters other than those relating to labor relations and employment practices. Franchisee's Managing Owner as of this Agreement's effective date is identified in Exhibit A. If Franchisee's Managing Owner transfers his or her ownership interest in Franchisee (with Franchisor's approval) during the Term, Franchisee must designate a new Managing Owner (whom Franchisor must approve), and have that new Managing Owner attend and satisfactorily complete Franchisor's full training program, within the timeframe Franchisor specifies. Franchisee's Restaurant must at all times be under the direct supervision of the Managing Owner or an approved, trained, and qualified General Manager ("Qualified GM") who has successfully completed the training provided in Subsection 9.A. The Managing Owner and/or the Restaurant's Qualified GM must devote sufficient time and attention to perform their duties under this Agreement. Restaurant employees are under Franchisee's control in implementing and maintaining Mellow Mushroom System standards at the Restaurant.

(2) If the Restaurant is the third (3rd) Mellow Mushroom Restaurant owned by Franchisee and/or its affiliates, Franchisee must hire or appoint (i) a full-time Area Manager to oversee all of Franchisee's and its affiliates' Mellow Mushroom Restaurant operations and (ii) a dedicated marketing resource to manage the marketing activities and materials of Franchisee's and its affiliates' Mellow Mushroom Restaurants. Franchisee must identify the proposed Area Manager candidate for Franchisor in advance. The Area Manager may not also be a Restaurant-level manager performing the duties typical of a single Restaurant manager. The Area Manager must attend and successfully complete Franchisor's required training program within sixty (60) days after his or her hire date. Franchisee must pay Franchisor's then-current training charge and all related travel and living expenses for Area Manager training.

Franchisee may not open the Restaurant for business (if it is the third (3rd) Mellow Mushroom Restaurant owned by Franchisee and/or its affiliates) unless Franchisee's Area Manager is in position and has successfully completed all required training. Franchisee and its affiliates must have a full-time Area Manager for every three (3) to six (6) Mellow Mushroom Restaurants they own. In other words, Franchisee and its affiliates must have one (1) Area Manager for no less than every three (3) Mellow Mushroom Restaurants they own, and the Area Manager may not oversee more than six (6) Mellow Mushroom Restaurants. Once Franchisee and its affiliates own seven (7) Mellow Mushroom Restaurants, they must hire or appoint a second (2nd) Area Manager, and so on.

H. Management of Restaurant.

The Managing Owner or Qualified GM must assume responsibility for the day-to-day management and operation of the Restaurant, oversight of the preparation of food products, and supervision of personnel. Franchisee may designate any number of Qualified GMs and assistant managers. Qualified GMs and assistant managers, together with the Managing Owner, must spend the time necessary to oversee and actively supervise the Restaurant's operation during

operating hours. Franchisee may replace any Qualified GM or assistant manager at any time provided Franchisee notifies Franchisor of any such changes in management personnel by the day following the date on which any new manager is hired. Franchisor may, at its option, require any new manager to complete Franchisor's training program at Franchisee's expense in order to become a Qualified GM.

I. Personnel.

(1) Franchisee agrees to hire, train, and supervise all Restaurant employees. All personnel must maintain such standards of sanitation, cleanliness, and demeanor Franchisor specifies in the Manual or otherwise in writing. All persons having access to any confidential information, knowledge, or know-how concerning the Mellow Mushroom System must execute a nondisclosure agreement under which such persons agree not to disclose any of the Trade Secrets and Confidential Information (as described in Section 17), knowledge, or know-how concerning the Mellow Mushroom System disclosed to them. Such nondisclosure agreement must name Franchisor as a third-party beneficiary and be approved in advance by Franchisor. Franchisor's approval is solely to ensure that Franchisee adequately protects the Trade Secrets, Confidential Information, knowledge, and know-how. Under no circumstances will Franchisor control the forms or terms of employment agreements Franchisee uses with Restaurant employees or otherwise be responsible for Franchisee's labor relations or employment practices. Franchisee is liable to Franchisor for any unauthorized disclosure by any of Franchisee's directors, officers, employees, or agents.

(2) Franchisee has sole responsibility and authority for its labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Restaurant employees are under Franchisee's control at the Restaurant. Franchisee must communicate clearly with Restaurant employees in employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer or joint employer and does not engage in any employer-type activities for which only franchisees such as Franchisee are responsible. Franchisee also must obtain an acknowledgment (in the form Franchisor specifies or approves) from all Restaurant employees that Franchisee (and not Franchisor) is their employer.

J. Guest Checks and Point of Sale Systems.

(1) Franchisee must record all sales and receipts of revenue in the manner Franchisor specifies. Franchisee must utilize a point-of-sale system which must be capable of categorizing all sales by product type, have non-resettable devices where all sales are registered, consecutively validate all guest checks, and generate a consecutively-numbered receipt which will be presented at the time of sale to each customer. The point-of-sale system and/or related equipment components and software must enable Franchisee to accept and process online orders and Franchisor's gift and loyalty cards and participate in Franchisor's gift-card, customer-loyalty, affinity, and similar programs. At its sole expense, Franchisee may only use point-of-sale system components of a type and configuration Franchisor specifies from time to time in the Manual or otherwise, which may include contactless payment solutions.

(2) Franchisee must comply with the accounting, recordkeeping, and reporting requirements set forth in the Manual or otherwise. Franchisee must at all times maintain such records specified in the Manual or otherwise, including, but not limited to, sales, inventory, and expense information, on a timely basis. Franchisee also must provide Franchisor or its representatives, agents, or employees with the means to access the Computer System to retrieve information relating to the Restaurant's operation (other than Franchisee's employee records, as Franchisee controls exclusively its labor relations and employment practices). Franchisor must at all times have independent access to the information stored on Franchisee's Computer System (other than Franchisee's employee records, as Franchisee controls exclusively its labor relations and employment practices). As noted in Subsection 14.B.(2), Franchisee must retain a daily sales reporting form and accompanying computer files used in preparing hourly and item sales as Franchisor requires. Such daily sales reporting forms must be submitted to Franchisor on a weekly basis attached to the Weekly Royalty Fee.

(3) If for any reason the Restaurant's point-of-sale system must be repaired, a replacement system must be used in the interim which records sales according to Franchisor's specifications. During any repair period or other down-time of the point-of-sale system, all business records (other than Franchisee's employee records, as Franchisee controls exclusively its labor relations and employment practices) must be kept on forms and in accordance with procedures Franchisor prescribes from time to time. Franchisee must notify Franchisor of any such repair or other down-time not more than twenty-four (24) hours from the time the system is determined to be inoperative.

K. Opening.

Franchisee may not open the Restaurant for business to the public until Franchisor acknowledges in writing that the Restaurant, Franchisee, the Qualified GM, and other managers are prepared for the opening.

L. Use of Marks by Third Party.

Franchisee may not permit any third-party supplier to imprint the Marks on any products, materials, documents, or supplies utilized by Franchisee in operating its Restaurant without first obtaining Franchisor's prior written consent.

M. Incentive and Sponsorship Programs for Restaurant Employees.

Franchisee acknowledges that Franchisor may, consistent with applicable law, establish various incentive and sponsorship programs through which existing employees of Mellow Mushroom Restaurants, including Franchisee's Restaurant, might be identified as prospective Mellow Mushroom Restaurant franchisees. Franchisee agrees to support these programs, which are intended to strengthen the Mellow Mushroom System and to create opportunities for employees at Mellow Mushroom Restaurants, and not to challenge or bring an action against Franchisor if one or more of Franchisee's employees leave the Restaurant as a result of one of Franchisor's franchise-incentive or sponsorship programs.

N. Cooperation.

Franchisee must cooperate with Franchisor in taking any action, or refraining from taking any action, which in Franchisor's judgment is necessary or desirable to protect the Mellow Mushroom System or the Marks or to promote and enhance service provided by the Restaurant or the Restaurant's image in the community.

O. Standard Menu Format.

Franchisee must use a standard menu format Franchisor will supply. Franchisor may change the standard menu format at any time and from time to time. Any changes by Franchisee in the menu format must be accepted in writing by Franchisor prior to use. Franchisor may withhold its acceptance. Franchisee agrees to reimburse Franchisor and its shareholders, directors, officers, employees, and agents for any and all loss, damage, cost, or expense, including reasonable attorneys' fees, they incur resulting from any change Franchisee makes in the standard menu. Franchisor may require that the standard menu format contain advertising references to other Mellow Mushroom Restaurants. Franchisor has the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, tiered, or other pricing requirements with respect to the prices charged by Franchisee for its products and services.

P. Trade Accounts.

Franchisee agrees to maintain its trade accounts in a current status and to seek to resolve any disputes with trade suppliers promptly. Should Franchisee not maintain its trade accounts, Franchisor may, but is not required to, pay any and all such accounts on Franchisee's behalf, in which event Franchisee agrees immediately to repay Franchisor. Franchisor has the right at any time to communicate directly with Franchisee's trade suppliers and to obtain from them any sales and purchasing information relating to their dealings with Franchisee.

Q. Compliance with Laws.

Franchisee must operate the Restaurant in strict compliance with all applicable laws, rules, and regulations. Franchisee is solely responsible for obtaining and maintaining all necessary permits and licenses required for operating the Restaurant.

R. Payment of Taxes.

Franchisee is responsible for all taxes related to its Restaurant. All such taxes must be paid directly to the taxing authorities prior to the delinquent date. If the taxes become delinquent, Franchisor may pay the same, together with penalties and interest, if any, on Franchisee's behalf (other than employment-related taxes), in which case Franchisee agrees to repay Franchisor immediately. Franchisor will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon Franchisee or the Restaurant, due to the business Franchisee conducts (except for Franchisor's own income taxes). Franchisee must pay these taxes and reimburse Franchisor for any taxes Franchisor must pay to any state taxing authority on account of either Franchisee's operation or payments Franchisee makes to Franchisor (except for Franchisor's own income taxes).

S. Uniforms.

Franchisor prescribes standard uniforms and attire for all Restaurant personnel in order to enhance Franchisor's product and format. Franchisee is required to purchase a sufficient quantity of uniforms from Franchisor or an approved supplier on such standard terms and prices as may be in effect at the time.

T. Vending Machines.

No vending machines, pool tables, amusement devices, video machines, or other devices of any nature may be installed or used at the Restaurant without Franchisor's prior written consent.

U. Clothing, Souvenirs and Novelty Items.

Franchisor may specify certain articles of clothing, souvenirs, and other novelty items identified with the Marks or otherwise related to the Mellow Mushroom System which Franchisee must offer for sale at the Restaurant. Franchisee must maintain a sufficient representative inventory of each item to ensure they are available on a regular basis.

V. Barter or Countertrade.

Franchisee may not enter into any barter or countertrade sales transactions with respect to the Restaurant without Franchisor's prior written consent. If Franchisor gives such written consent, Franchisee must record all barter or countertrade sales, include them in Weekly Gross Sales (as defined in Section 14), and report them to Franchisor in accordance with Section 14 of this Agreement.

W. Access to Premises.

Franchisee agrees to make available to Franchisor the means for entering the Restaurant Site at any time of the day or night (such means consisting of a key and the necessary code to deactivate any applicable alarm system). Such access is necessary for the efficient and timely delivery of Proprietary Products and to allow Franchisor to conduct inspections. Franchisor agrees that any information or key used for access will be given only to reliable and trustworthy members of Franchisor's staff.

X. The Exercise of Franchisor's Judgment.

Franchisor has the right to develop and change the Mellow Mushroom System in any manner that is not specifically prohibited by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on information readily available and its judgment of what is in its and/or the Mellow Mushroom System's best interests at the time its decision is made, without regard to whether Franchisor could have made other

reasonable or even arguably preferable alternative decisions or whether Franchisor's decision promotes its financial or other individual interest.

Y. Modification of the Mellow Mushroom System.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary the methods and standards for any franchisee based upon the peculiarities of any condition Franchisor considers important to that franchisee's successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.

9. SERVICES OF FRANCHISOR.

In addition to the services set forth elsewhere in this Agreement, and provided Franchisee is not then in default under and has complied with the terms and conditions of this Agreement and any other agreements between Franchisee and Franchisor or any affiliate, Franchisor will perform the following:

A. Training and Assistance.

(1) Before the Restaurant opens, Franchisor will train the Managing Owner and up to two (2) additional persons Franchisee designates, including the potential Qualified GM and the Restaurant's other managers and/or assistant managers, in operating a Mellow Mushroom Restaurant. The Managing Owner, the potential Qualified GM, and any additional managers or assistant managers will be trained by Franchisor simultaneously. Franchisor is under no obligation to provide separate training sessions. Such training will be conducted at both a training facility and an operating Mellow Mushroom Restaurant that Franchisor designates and will last for approximately five (5) weeks or for such longer or shorter time Franchisor otherwise deems appropriate. (For example, Franchisor may extend training beyond five (5) weeks depending on the skills, experience, and needs of those attending training.) Franchisor may conduct some portions of training on-line or virtually. In addition, if necessary in Franchisor's opinion, Franchisor will train one additional managerial-level employee during the first thirty (30) days after the Restaurant opens. Franchisor will bear the cost of such training, except for any costs and expenses attributable to transportation, room and board, wages, and other personal expenses.

The Managing Owner and each of Franchisee's management personnel who participate in Franchisor's initial training program must pursue training diligently. Successful completion of the initial training program by the Managing Owner and up to two (2) managers and/or assistant managers, including the potential Qualified GM, is a condition to opening. The Managing Owner's failure to complete training satisfactorily will allow Franchisor to terminate this Agreement. If any manager or assistant manager fails to complete Franchisor's training program satisfactorily, Franchisee may send a replacement to Franchisor's training program. Training of the replacement manager or

assistant manager is additional training for which Franchisee is required to reimburse Franchisor.

(2) If, after the Restaurant opens, Franchisor determines that the Managing Owner or Franchisee's managers or assistant managers, including the Qualified GM, require additional training in any area of operations, or Franchisee hires an additional or replacement manager or assistant manager and Franchisor determines that Franchisee is unable to train such manager or assistant manager adequately, Franchisor may require that the Managing Owner, manager, or assistant manager satisfactorily complete the training Franchisor designates. Training of any additional or replacement manager or assistant manager will be for at least two (2) weeks. Should Franchisee at any time desire that Franchisor train additional management personnel, including any replacement manager or assistant manager, or should Franchisor require that a manager or assistant manager complete Franchisor's training program, Franchisee must pay all salary, travel, and lodging for such person during training and reimburse Franchisor for its costs of training, up to a maximum of One Thousand Dollars ($1,000) for each individual providing training, plus reasonable expenses (including travel, lodging, meals, and other out-of-pocket expenses).

(3) Franchisor will provide, at its own expense, personnel for up to three (3) weeks, or as Franchisor otherwise deems necessary, to assist at Franchisee's Restaurant in all phases of the opening and provide such other assistance to Franchisee as Franchisor deems necessary in order to assist Franchisee in opening its Restaurant.

B. Inspections.

(1) Franchisor may inspect the Restaurant from time to time to enhance uniformity and quality control. Franchisor's personnel or designated agents or representatives may enter the Restaurant at any reasonable time and from time to time for conferences with Franchisee or its managers, inspection of the operation (including photographing the Restaurant and videoing (with full audio) its operation for consecutive or intermittent periods), testing products sold in the Restaurant, and all other purposes to determine that the Restaurant is being operated according to this Agreement, the Manual, and other applicable rules. Franchisee specifically authorizes Franchisor or its designated agents or representatives in the Restaurant to monitor the operation of cash registers or point-of-sale systems for such periods of time Franchisor determines to be necessary. Franchisor will notify Franchisee in writing of any defects, deficiencies, or unsatisfactory conditions discovered at the Restaurant, and Franchisee agrees immediately to begin correcting or repairing these conditions.

(2) If Franchisor (or its agents or representatives) inspects the Restaurant and determines it is not operating in compliance with this Agreement and all of Franchisor's required standards, specifications, and operating procedures, and Franchisor then must re-inspect the Restaurant to determine whether Franchisee has corrected the operating deficiencies, Franchisor may require Franchisee to pay it Two Thousand Five Hundred Dollars ($2,500) for each follow-up inspection of the Restaurant (this is in addition to the Non-Compliance Fee that Franchisor has the right to charge under Section 8.A.(6)). Franchisor also has the right to require Franchisee immediately to suspend the Restaurant's operation temporarily if continued operation would

create a public health or safety risk. That suspension will continue until, in Franchisor's opinion, the cause of the event has been determined and corrected.

(3) If Franchisee fails to comply with the obligation to correct or repair, Franchisor, in addition to all other available rights and remedies, may make or cause to be made the corrections or repairs, and the expenses of doing so, including meals, lodging, wages, and transportation for Franchisor's personnel, must be promptly reimbursed by Franchisee upon Franchisor's request.

C. Products, Supplies and Materials.

(1) Following execution of this Agreement, Franchisor will make available for purchase from Franchisor or its designated suppliers all printed paper, paper products, plastic goods and containers (the "Paper Products"), clothing, souvenirs, and novelty items bearing the Marks. Franchisee must purchase these items from the designated supplier (if only one is designated) or an approved supplier that has complied with Franchisor's supplier-acceptance guidelines. Since many of the Paper Products and clothing, souvenirs, and novelty items will bear the Marks, each supplier also will be required to execute Franchisor's Supplier License Agreement, setting forth the manner in which the Marks are to be imprinted, the required text on these materials, and necessary specifications and standards for preparing these materials.

(2) To protect and maintain the reputation and goodwill of Franchisor's Mellow Mushroom System and the Marks, all supplies (including gift and loyalty cards and related services), equipment, furnishings, fixtures, and services must conform to specifications and quality standards Franchisor establishes from time to time and be purchased from suppliers Franchisor accepts in writing. If Franchisee proposes to use any product, supply, material, equipment, furnishing, or service not previously accepted by Franchisor as conforming to its specifications and quality standards and/or from a supplier not previously approved, Franchisee must first notify Franchisor. Franchisee must submit to Franchisor, upon request, sufficient specifications, photographs, and/or other information or samples for examination and/or testing so that Franchisor may determine whether such product, supply, material, or service and/or such supplier meets Franchisor's specifications and standards as set forth in the Manual or otherwise, which determination will be made and communicated to Franchisee within a reasonable time period. Franchisor also has the right to inspect such supplier's facilities. Franchisor reserves the right, at its option, to reinspect the facilities and products of any accepted supplier and to revoke its acceptance upon the supplier's failure to continue meeting Franchisor's criteria and specifications. Franchisee must reimburse Franchisor for all excessive or unusual costs and expenses Franchisor incurs in any examination, testing, or inspection, including, but not limited to, travel and lodging expenses incurred where Franchisor deems it necessary to visit a supplier's facilities.

(3) Franchisor is not obligated to accept an inordinate number of suppliers for a given item or service if this would result in higher costs generally to franchisees or prevent the effective and economical supervision of approved suppliers. Nor is Franchisor obligated to accept any supplier of a proposed item or service if Franchisor already has designated or approved a single supplier or a limited number of suppliers for each item or service, even if Franchisor or an affiliate is the designated or approved supplier. Franchisor and its affiliates have

the right to receive payments from suppliers on account of their actual or prospective dealings with Franchisee and other franchisees and to use all amounts received without restriction (unless instructed otherwise by the supplier) for any purposes they deem appropriate.

10. INSURANCE.

A. Liability, Fire, Business Interruption, and Workers' Compensation Insurance.

Franchisee must secure and maintain insurance coverage, including general-liability, products-liability, and employment-practices-liability insurance, with insurance carriers acceptable to Franchisor and according to Franchisor's current insurance requirements set forth from time to time in the Manual. Franchisee agrees that it will at all times maintain general-liability insurance of at least One Million Dollars ($1,000,000) per occurrence, Two Million Dollars ($2,000,000) in the aggregate. Insurance coverage must commence when Franchisee first takes possession of the Restaurant Site, comply with the Lease's requirements, and include coverage for such risks, in such amounts, and subject to such policy limits and deductible amounts Franchisor determines from time to time. Franchisee also must carry such workers'-compensation insurance required by applicable law. In addition, Franchisor may require as a condition of any supplier approval that such supplier include Franchisor and Franchisee as additional named insureds under such supplier's product liability insurance.

B. Conditions of Coverage.

Franchisor must be named as an additional insured on all policies (except for employment-practices-liability insurance, unless Franchisor requires otherwise) for claims arising from the Restaurant's operation and must receive certificates of insurance evidencing coverage. All policies must provide Franchisor with at least ten (10) days' prior written notice of cancellation or termination of coverage. Franchisor reserves the right to specify reasonable changes in the types and amounts of required insurance coverage. Should Franchisee fail or refuse to procure and maintain the required insurance coverage from an insurance carrier acceptable to Franchisor, Franchisor may procure such coverage for Franchisee, in which event Franchisee agrees to pay the required premiums and/or to reimburse Franchisor.

11. BRAND DEVELOPMENT AND ENHANCEMENT.

A. Brand Development Fund.

(1) Recognizing the value of advertising, marketing, and other brand-enhancement activities to the goodwill and public image of Mellow Mushroom Restaurants, Franchisor has established a Brand Development Fund (the "Brand Fund") for the advertising, marketing, public relations, and other brand-development and enhancement programs and materials it deems appropriate. Franchisee agrees to contribute to the Brand Fund the minimum percentage of the Restaurant's Weekly Gross Sales that Franchisor requires from time to time (see next paragraph), payable at the same time and in the same manner as the Weekly Royalty Fees. Mellow Mushroom Restaurants that Franchisor or its affiliates own will contribute to the Brand Fund on the same basis as franchisees. Franchisor also may collect for deposit into the Brand Fund any

advertising, marketing, or similar allowances paid by suppliers who deal with Mellow Mushroom Restaurants.

The aggregate amount that Franchisor has the right to require Franchisee to spend to advertise, market, and promote the Restaurant during the Term under this Section 11.A and under Sections 11.B (local advertising) and 11.C. (advertising cooperatives) below will not exceed, in the aggregate, five percent (5%) of the Restaurant's Weekly Gross Sales. Franchisor has the right as it deems best, upon notice to Franchisee, to adjust (i.e., increase or decrease) the percentages among these three required categories of advertising expenditures at any time and from to time during the Term within the five percent (5%) cap. In other words, Franchisor has the right, for example, to increase Franchisee's required Brand Fund contribution up to five percent (5%) of the Restaurant's Weekly Gross Sales as long as Franchisor concurrently and proportionally reduces Franchisee's required local advertising obligations under Sections 11.B and 11.C. At Franchisor's request, Franchisee agrees to send Franchisor, in the manner Franchisor prescribes (including with receipts), an accounting of Franchisee's expenditures for advertising and promotion.

(2) Franchisor will direct and determine all programs the Brand Fund finances. The Brand Fund may pay for preparing and producing video, audio, and written materials and Electronic Media; developing, implementing, operating, and maintaining the Franchise System Website, an intranet or extranet, and/or related strategies; administering national, regional, and multi-regional marketing, advertising, and other brand-development and enhancement programs, including outfitting Restaurants with additional signage or artwork and other brand-building; purchasing direct mail and other media advertising; doing on-line Internet advertising, marketing, and other brand-building; using advertising, promotion, and marketing agencies to provide assistance; administering, staffing, and supporting all public-relations programs and store-quality and operational-enhancement programs; on-site training of store personnel; and supporting market research and other advertising, promotion, marketing, and other brand-development and enhancement activities, including conducting franchise conferences and research and development of new menu items and products. Franchisor may advertise in printed materials, on public signage, on radio or television, or in other media (including Electronic Media), depending on what it thinks is best. Franchisor's staff and/or outside advertising agencies will produce materials and programs. The Brand Fund periodically will give Franchisee templates of public relations, marketing, and promotional formats and materials at no cost for use in its local market. Multiple copies of these or similar materials may be made available for purchase from Franchisor's designated vendor at its then-current prices, plus any related shipping and handling charges.

(3) Franchisor will account for the Brand Fund separately from its other funds and not use the Brand Fund for any of its general operating expenses, except for the reasonable salaries, administrative costs, travel expenses, and overhead it incurs in administering and implementing the Brand Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion, marketing, and other brand-development and enhancement materials; arranging for public signage; conducting public relations and store-quality and operational-enhancement programs; on-site training of store personnel; and collecting and accounting for Brand Fund contributions, including, without limitation, paying

taxes on Brand Fund contributions Franchisor receives. Although the Brand Fund is not a trust, Franchisor will hold all Brand Fund contributions for the contributors' benefit and use contributions only for their intended purposes (as defined above). The Brand Fund may spend in any fiscal year more or less than all Brand Fund contributions in that year, borrow from Franchisor or others (paying reasonable interest) to cover deficits, invest any surplus for future use, and roll over unspent monies to the following year. Franchisor may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. Franchisor will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. Franchisor will prepare an annual, unaudited statement of Brand Fund collections and expenses and give Franchisee the statement upon written request. Franchisor may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant Franchisor selects. Franchisor may have the Brand Fund incorporated or operated through a separate entity anytime it deems appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

(4) The Brand Fund is to maximize recognition of the Marks, increase patronage of Mellow Mushroom Restaurants, and enhance the in-store and on-line experience of a Mellow Mushroom Restaurant customer. Although Franchisor will try to utilize the Brand Fund to benefit all Mellow Mushroom Restaurants, Franchisor undertakes no obligation to ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Brand Fund contributions by Mellow Mushroom Restaurants operating in that geographic area or that any Mellow Mushroom Restaurant will benefit directly or in proportion to its Brand Fund contribution. While the Brand Fund will not be used to develop materials and programs intended principally for the solicitation of franchises, materials and programs created with and paid for by Brand Fund contributions may reference the availability of franchises and related information. Except as expressly provided in this Subsection, Franchisor assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

(5) Franchisor may defer or reduce contributions of a Mellow Mushroom Restaurant franchisee and, upon thirty (30) days' prior written notice to Franchisee, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If Franchisor terminates the Brand Fund, it will distribute all unspent monies on the date of termination to franchisees and to Franchisor and its affiliates in proportion to their respective Brand Fund contributions during the preceding twelve (12)-month period.

B. By Franchisee.

In addition to its Brand Fund contributions under Subsection 11.A. above, Franchisee agrees to spend the minimum percentage of the Restaurant's Weekly Gross Sales that Franchisor requires from time to time to advertise and promote the Restaurant locally. Franchisee agrees to send Franchisor the periodic reports it requests concerning Franchisee's advertising, marketing, and promotional activities and expenditures. Franchisee agrees that its advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies Franchisor prescribes from time to time. As noted in Subsection 8.F., Franchisee must send

Franchisor for approval samples of all advertising, promotional, and marketing materials which Franchisor has not prepared or previously approved within the past twelve (12) months before Franchisee uses them. If Franchisee does not receive written disapproval within fifteen (15) days after Franchisor receives the materials, they are deemed to be approved. Franchisee may not use any advertising, promotional, or marketing materials that Franchisor has not approved or has disapproved. As used in this Subsection, advertising, promotional, and marketing materials include any information relating to Franchisor, Franchisee, or the Restaurant that Franchisee plans to include on a Website (if Franchisor allows Franchisee to establish a Website). Franchisee's required spend under this Section is subject to the aggregate five percent (5%) cap on advertising, marketing, and promotion described in Section 11.A(1) above.

C. Advertising Cooperatives.

Franchisee agrees that Franchisor may designate any geographic area in which two (2) or more Mellow Mushroom Restaurants are located as a region in order to establish an advertising cooperative ("Cooperative"). The Cooperative's members in any area will include all Mellow Mushroom Restaurants operating in that area. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, Franchisor determines in advance. Each Cooperative's purpose is, with Franchisor's approval, to administer advertising programs and develop promotional materials for the area the Cooperative covers. If, when Franchisee signs this Agreement, Franchisor has established a Cooperative for the geographic area in which the Restaurant is located, or if Franchisor establishes a Cooperative in the area covering the Restaurant during this Agreement's term, Franchisee agrees to participate in the Cooperative as its governing documents require.

In addition to its Brand Fund contributions in Subsection 11.A. above, Franchisee agrees to contribute to the Cooperative the amounts determined by a two-thirds (2/3) vote of all Mellow Mushroom Restaurant franchisees that are members of that Cooperative. Each franchisee will have one vote, regardless of the number of Mellow Mushroom Restaurants that franchisee (or its affiliates) operates within the Cooperative's area. However, the maximum amount that Franchisee must contribute to the Cooperative depends on the amount of Franchisee's then-current required Brand Fund contribution, as the aggregate amount that Franchisor has the right to require Franchisee to spend to advertise, market, and promote the Restaurant during the Term may not exceed, in the aggregate, five percent (5%) of the Restaurant's Weekly Gross Sales.

Franchisee agrees to submit to Franchisor and the Cooperative any reports Franchisor requires. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising or promotional plans or materials without Franchisor's prior written consent.

D. Franchise System Website

(1) Franchisor and its affiliates may establish one or more Websites (a) to advertise, market, and promote Mellow Mushroom Restaurants, their products and services, the brand, and/or the Mellow Mushroom Restaurant franchise opportunity, (b) through which to operate on-line product ordering and other fulfillment systems, and (c) for any other purposes Franchisor considers appropriate or necessary for the Mellow Mushroom System or other business activities

in which Franchisor engages (**each a "Franchise System Website"**). If Franchisor establishes a Franchise System Website, it may provide Franchisee with a separate interior webpage (accessible only through the Franchise System Website) referencing Franchisee's Restaurant and/or otherwise allow Franchisee to participate in the Franchise System Website. Franchisee must give Franchisor the information and materials Franchisor requests for Franchisee to participate in the Franchise System Website. By giving Franchisor the information and materials, Franchisee represents they are accurate and not misleading and do not infringe another party's rights. Franchisor will own all intellectual property and other rights in the Franchise System Website, Franchisee's webpage, and all information they contain (including, without limitation, the log of "hits" by visitors and any personal or business data that visitors supply).

(2) Franchisor will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the Franchise System Website, including Franchisee's webpage (if any). Franchisor will update the information on Franchisee's webpage, if any, or add information Franchisor approves as frequently as it deems appropriate. Franchisee must notify Franchisor whenever any information on its webpage changes or is not accurate. Franchisee must pay Franchisor's then-current fee to participate in the various aspects of the Franchise System Website or as Franchisor otherwise requires to maintain and operate the Franchise System Website's various features and functions (if, or to the extent, the Brand Fund does not pay for these costs). Franchisor has final approval rights over all information on the Franchise System Website, including Franchisee's webpage, if any. Franchisor may implement and periodically modify standards and specifications for the Franchise System Website.

(3) Franchisor will maintain Franchisee's webpage, if any, and otherwise allow Franchisee to participate in the Franchise System Website only while Franchisee is in substantial compliance with this Agreement and all system standards and specifications (including those for the Franchise System Website). If Franchisee is in material default of any obligation under this Agreement or Franchisor's standards and specifications, Franchisor may, in addition to its other remedies, temporarily suspend Franchisee's participation in the Franchise System Website until Franchisee fully cures the default. Franchisor will permanently terminate Franchisee's access to and participation in the Franchise System Website upon this Agreement's expiration or termination.

(4) All marketing and other materials Franchisee develops for the Restaurant must contain notices of the Franchise System Website's domain name(s) in the manner Franchisor designates. Franchisee may not develop, maintain, link to, or authorize any other Website mentioning or describing Franchisee or the Restaurant or displaying any of the Marks.

12. INDEMNIFICATION.

(1) Franchisee agrees to indemnify and hold harmless Franchisor, its affiliates, and their respective owners, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of a claim asserted or threatened or an inquiry made formally or informally, or a legal action, investigation, or other proceeding threatened or brought, by a third party and directly or indirectly arising out of the Restaurant's operation; the business Franchisee conducts under this Agreement; Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that

Franchisor or another Indemnified Party is an employer or joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees; or Franchisee's breach of this Agreement. Franchisee also agrees to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at Franchisee's expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence (as distinguished from just negligence), willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

(2) For purposes of this indemnification and hold harmless obligation, "Losses" includes all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may, with its own counsel and at Franchisee's expense, defend and otherwise respond to and address any claim asserted or threatened or inquiry made, or action, investigation, or proceeding threatened or brought (instead of having Franchisee defend it with Franchisee's counsel, as provided in the preceding paragraph), and, in cooperation with Franchisee, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses Franchisee is solely responsible.

(3) Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts an Indemnified Party may recover from Franchisee under this Section.

13. PAYMENTS TO FRANCHISOR.

In addition to all other payments provided in this Agreement, Franchisee must pay to Franchisor promptly when due, or in the case of Subsections 13.D. and 13.E. below upon Franchisor's demand, the following:

A. Weekly Royalty Fee.

A weekly royalty fee for use of the Mellow Mushroom System and Marks (the "Weekly Royalty Fee") in an amount equal to five percent (5%) of Franchisee's "Weekly Gross Sales," as defined in Subsection 14.A. The Weekly Royalty Fee is not in exchange for any particular

products, services, or assistance but instead is solely in consideration of Franchisor's granting the Franchise to Franchisee. If the Restaurant opens for business less than eighteen (18) months after this Agreement's effective date, Franchisee need not begin paying the Weekly Royalty Fee until the Weekly Gross Sales generated during the first week following that eighteen (18)-month timeframe. (This deferral does not apply if this Agreement is signed in connection with the renewal or transfer of the franchise for the Restaurant.)

B. Weekly Brand Fund Fee.

A weekly Brand Fund fee, as more fully described in Subsection 11.A.

C. Sales and Use Taxes.

The amount of all sales, use, and similar taxes imposed upon or required to be collected or paid on account of goods or services furnished to Franchisee by Franchisor.

D. Advances.

All amounts, if any, advanced by Franchisor on Franchisee's behalf. Franchisor is not under any obligation to make any advances.

E. Late Fee and Interest.

Franchisee agrees to pay Franchisor a Two Hundred Dollar ($200) late fee for each required payment not made on or before its original due date and for each payment not honored by Franchisee's financial institution. (Franchisee also must reimburse Franchisor's bank charges for Franchisee's dishonored payments.) This late fee is not interest or a penalty but compensates Franchisor for increased administrative and management costs due to Franchisee's late payment. In addition, all amounts Franchisee owes Franchisor that are more than seven (7) days late will bear interest, accruing as of their original due date, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. Franchisor may debit Franchisee's account automatically for late fees and interest. This Subsection is not Franchisor's agreement to accept any late payments or its commitment to extend credit to, or otherwise finance Franchisee's operation of, the Restaurant.

14. PAYMENT OF ROYALTIES AND FEES; REPORTING REQUIREMENTS.

A. Weekly Gross Sales.

The term "Weekly Gross Sales" means the total revenue Franchisee derives from its Restaurant during each one-week period from all sales of food, goods, wares, merchandise, and services, whether for cash, check, credit, or otherwise, including any sales in connection with barter or countertrade, if any, without reserve or deduction for inability or failure to collect payment, and including sales and services where the orders originate at and are accepted by Franchisee in the Restaurant though delivery or performance is made from or at any other place or received or billed at or from the Restaurant. Weekly Gross Sales will not be reduced by the amount paid to, collected by, or shared with third-party food-ordering and delivery systems with

which Franchisor allows the Restaurant to do business. For purposes of calculating Weekly Gross Sales, all such transactions will be valued at the full retail price charged by the Restaurant. Weekly Gross Sales will not include rebates or refunds to customers (if the original payment was included in Weekly Gross Sales) or the amount of any sales or other taxes Franchisee collects from customers to be paid to any federal, state, or local taxing authority.

B. Payment of Royalties and Fees.

(1) Franchisee agrees to pay Franchisor on or before the close of business on Friday of each week, calculated upon the Weekly Gross Sales of Franchisee's Restaurant during the preceding calendar week ending at close of business on Sunday, the Weekly Royalty Fee and Weekly Brand Fund Fee accompanied by weekly statements in the form Franchisor specifies. (Franchisor may change the day on which the calendar week is deemed to close and/or the date of the week on which payment is due.)

(2) Franchisee must deliver to Franchisor any sales data Franchisor reasonably requests in the form, manner, and frequency requested. Such data must include: (a) daily sales and related information, which must be submitted concurrently with the Weekly Royalty Fee and Weekly Brand Fund Fee; and (b) a copy of monthly state sales-tax returns to be delivered to Franchisor concurrently with the monthly profit-and-loss statement described in Subsection 14.C.

(3) Franchisee must pay Franchisor the Weekly Royalty Fee, Weekly Brand Fund Fee, and other amounts due under this Agreement by automatic debit, and Franchisee agrees to comply with such payment instructions. At Franchisor's request, Franchisee must sign and deliver to Franchisor the documents (or take any other action) Franchisor requires to debit Franchisee's business checking account automatically for the Weekly Royalty Fee, Weekly Brand Fund Fee, and other amounts due under this Agreement. On or before the day Franchisor specifies, Franchisee must report to Franchisor by telephone or electronic means or in written form, as Franchisor directs, the Restaurant's true and correct Weekly Gross Sales. Franchisor will debit Franchisee's account for the Weekly Royalty Fee and Weekly Brand Fund Fee on a date it specifies when it sets up the automatic debit program (although it may change that date). Franchisee agrees to make the funds available for withdrawal by electronic transfer before each due date.

If Franchisee fails to report the Restaurant's Weekly Gross Sales, Franchisor may debit Franchisee's account for one-hundred-twenty percent (120%) of the last Weekly Royalty Fee and Weekly Brand Fund Fee it debited. If the Weekly Royalty Fee and Weekly Brand Fund Fee that Franchisor debits from Franchisee's account are less than the Weekly Royalty Fee and Weekly Brand Fund Fee that Franchisee actually owes Franchisor (once Franchisor has determined the Restaurant's true and correct Weekly Gross Sales), Franchisor will debit Franchisee's account for the balance of the Weekly Royalty Fee and Weekly Brand Fund Fee due on the day Franchisor specifies. If the Weekly Royalty Fee and Weekly Brand Fund Fee that Franchisor debits from Franchisee's account are greater than the Weekly Royalty Fee and Weekly Brand Fund Fee that Franchisee actually owes Franchisor, Franchisor will credit the excess against the amount Franchisor otherwise would debit from Franchisee's account during the following week.

C. Financial Statements.

No later than ten (10) days following the end of each calendar month, Franchisee must provide Franchisor with "compilation report" financial statements, including a profit-and-loss statement and a balance sheet reflecting the Restaurant's financial condition as of the last day of the preceding calendar month, in the form Franchisor specifies in the Manual. The Managing Owner or Qualified GM is personally required to certify the completeness and accuracy of the accounting records, submit the financial statements, and submit operating reports and sales figures with all Weekly Royalty Fee and Brand Fund Fee payments as provided elsewhere in this Agreement. Franchisee also must deliver to Franchisor, within thirty (30) days after the end of each semi-annual-calendar period or, in the case of a corporation, limited liability company, or partnership, within thirty (30) days after the end of each semi-annual-fiscal period, "review report" financial statements, including a balance sheet, a profit-and-loss statement, and a statement of changes in financial position for each such semi-annual period prepared by Franchisee's certified public accountant. Additionally, Franchisee must submit to Franchisor, on a quarterly basis, an electronic copy of Franchisee's accounting-software data. The records and information described in this subsection will not include any records or information relating to Restaurant employees, as Franchisee controls exclusively its labor relations and employment practices.

D. Corporation, Limited Liability Company, or Partnership.

If Franchisee is at any time a corporation, limited liability company, or partnership, it agrees and represents that:

(1) Franchisee will have the authority to execute, deliver, and perform its obligations under this Agreement, having obtained all required board-of-directors or other consents, and is duly organized or formed and validly exists in good standing under the laws of the state of its incorporation or formation;

(2) Franchisee's organizational documents, operating agreement, or partnership agreement will recite that the issuance and transfer of any ownership interests are restricted by this Agreement's terms, and all certificates and other documents representing ownership interests in Franchisee will bear a legend (the wording of which Franchisor may prescribe) referring to this Agreement's restrictions;

(3) Exhibit A to this Agreement will completely and accurately describe all of Franchisee's owners and their interests in Franchisee;

(4) Each of Franchisee's owners at any time during the Term, including after an approved transfer, will execute an agreement in the form Franchisor prescribes undertaking to be bound jointly and severally by all provisions of this Agreement and any ancillary agreements between Franchisor and Franchisee. Franchisee and its owners agree to execute and deliver to Franchisor any revised Exhibits A that are necessary to reflect any changes in the information Exhibit A now contains and to furnish any other information about its organization or formation that Franchisor requests; and

(5) The Restaurant or other Mellow Mushroom Restaurants will be the only business Franchisee operates.

15. RECORDKEEPING AND ACCOUNTING.

A. Use of Uniform System of Accounting.

Franchisor's uniform system of accounting and recordkeeping, including its standardized forms, are incorporated in the Manual, which Franchisee must use on a continuing basis and in the manner Franchisor prescribes to maintain the books and records of the Restaurant and Franchisee's business. This uniform system may be amended or supplemented by Franchisor from time to time and includes, without limitation, forms for reporting Weekly Gross Sales, the Weekly Royalty Fee, and the Weekly Brand Fund Fee. Franchisor may require Franchisee to use a Computer System to maintain certain sales data and other information. Franchisor may, as often as it deems appropriate, access the Computer System and retrieve all information relating to the Restaurant's operation (other than Restaurant employee records, as Franchisee controls exclusively its labor relations and employment practices).

B. Records and Audits.

Franchisee must maintain and preserve accurate books, records, tax returns, and related materials for the Restaurant for at least five (5) years after their preparation. Franchisee must make these books, records (other than Restaurant employee records, as Franchisee controls exclusively its labor relations and employment practices), tax returns, and supporting materials available for Franchisor's inspection, examination, or audit at all reasonable times and at such locations Franchisor designates from time to time. Such examination or audit will be at Franchisor's expense unless the total Weekly Gross Sales submitted by Franchisee for the period being inspected is understated by two percent (2%) or more, in which case Franchisee is responsible for all costs and expenses of the audit. Franchisee must immediately pay Franchisor on demand any deficiency in Weekly Royalty Fee or Brand Fund Fee payments disclosed on examination together with: (1) interest, as specified earlier in this Agreement; and (2) a service charge of ten percent (10%) of the amount of understated fees. If Franchisee fails to make such payment to Franchisor within five (5) days after it receives Franchisor's demand, interest also will accrue on the ten percent (10%) service charge described at (2) above.

C. Tax Returns.

Franchisee must submit to Franchisor copies of Franchisee's annual federal, state, and city income and sales-tax returns within ten (10) days after filing, to the extent these returns relate to the Restaurant.

16. TRANSFERABILITY OF INTEREST.

A. By Franchisor.

Franchisee acknowledges that Franchisor maintains a staff to manage and operate the Mellow Mushroom System, and staff members can change as employees come and go.

Franchisee represents that it has not entered into this Agreement in reliance on any shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement without restriction and without notice to or consent from Franchisee. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, Franchisee agrees that Franchisor may sell its assets (including this Agreement), the Marks, or the franchise system to a third party; offer its ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged-buyout, or other economic or financial restructuring.

B. By Franchisee.

Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, to its owners) and Franchisor has granted the Franchise to Franchisee in reliance upon its perceptions of Franchisee's (or its owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither this Agreement (or any interest in this Agreement), the Restaurant or substantially all of its assets, any ownership or other interest in Franchisee or the Restaurant, nor any controlling ownership interest in any of Franchisee's owners (if such owners are legal entities) may be transferred without Franchisor's prior written approval. Any transfer without this prior written approval is a breach of this Agreement and has no effect, meaning Franchisee (and its owners) will continue to be obligated to Franchisor for all its obligations under this Agreement. A transfer of the Restaurant's ownership, possession, or control, or substantially all of its assets, may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee assuming this Agreement or signing Franchisor's then-current form of franchise agreement and related documents, as Franchisor may require). Franchisee must notify Franchisor promptly if at any time it enters into substantive discussions regarding a potential transfer or retains the services of a broker or other agent to (i) assist in identifying potential buyers for Franchisee or the Restaurant or (ii) otherwise to facilitate a transfer. The term "transfer" includes Franchisee's (or its owners') voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in:

(1) this Agreement;

(2) Franchisee;

(3) the Restaurant or its assets; or

(4) Franchisee's owners (if such owners are legal entities).

An assignment, sale, gift, or other disposition includes the following events:

(i) transfer of ownership of capital stock, a partnership interest, or another form of ownership interest;

(ii) merger or consolidation or issuance of additional securities or interests representing an ownership interest;

(iii) any sale of an ownership interest or any security convertible to an ownership interest;

(iv) transfer of an interest in Franchisee, this Agreement, the Restaurant or its assets, or Franchisee's owners in a divorce, insolvency, or corporate, limited-liability-entity, or partnership-dissolution proceeding or otherwise by operation of law;

(v) transfer of an interest in Franchisee, this Agreement, the Restaurant or its assets, or an owner of Franchisee, in the event of death, by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(vi) (a) the grant of a mortgage, charge, pledge, collateral assignment, lien or security, or other interest in this Agreement, the Restaurant, any of its operating assets, or an ownership interest in Franchisee (or in an entity with an ownership interest in Franchisee), excluding only a security interest (including a purchase-money security interest) in the Restaurant's real estate, fixtures, furnishings, equipment, and vehicles granted to a lender that finances Franchisee's acquisition, development and/or operation of the Restaurant; (b) foreclosure upon or attachment or seizure of the Restaurant, any of its operating assets, or any interest in Franchisee (or an entity with an ownership interest in Franchisee); or (c) Franchisee's transfer, surrender, or loss of the Restaurant's possession, control, or management.

C. Conditions for Approval of Transfer.

If Franchisee (and its owners) is fully complying with this Agreement, then, subject to the other provisions of this Section 16:

(1) A non-controlling ownership interest in Franchisee or its owners (determined as of the date on which the proposed transfer will occur) may be transferred if the proposed transferee and its direct and indirect owners (if the transferee is an entity) are of good character and otherwise meet Franchisor's then-applicable standards for non-controlling owners of Mellow Mushroom Restaurant franchisees (including no ownership interest in or performance of services for a competitive business). Franchisee, the transferring owner(s), and the proposed transferee and its direct and indirect owners must sign the documents Franchisor specifies to effect the transfer (including new forms of Guaranty and Assumption of Obligations), and Franchisee must pay Franchisor Two Thousand Dollars ($2,000). The term "controlling ownership interest" is defined in Section 23.M.

(2) If the proposed transfer is of the franchise rights granted by this Agreement or a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer the franchise rights granted by this Agreement or a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee, Franchisor will not unreasonably withhold its approval if all of the following conditions are met:

(a) on both the date Franchisee sends Franchisor the transfer request and the transfer's proposed effective date: (i) the transferee has the necessary business experience, aptitude, and financial resources to operate the Restaurant; (ii) the transferee otherwise is qualified under Franchisor's then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including being in substantial operational compliance, at the time of the application, under other franchise agreements for Mellow Mushroom Restaurants to which the transferee or any of its affiliates then is a party with Franchisor); and (iii) the transferee and its owners are not restricted by another agreement (whether or not with Franchisor) from purchasing the Restaurant or the ownership interest in Franchisee or the entity that owns a controlling ownership interest in Franchisee;

(b) (i) on both the date Franchisee sends Franchisor the transfer request and the transfer's proposed effective date, Franchisee has paid all Weekly Royalty Fees, Weekly Brand Fund Fees, and other amounts owed to Franchisor or third-party creditors and submitted all required reports and statements, and (ii) Franchisee has not violated any provision of this Agreement, the Lease, or another agreement with Franchisor during either the ninety (90)-day period before Franchisee requested Franchisor's consent to the transfer or during the period between the date Franchisee sends Franchisor the transfer request and the transfer's proposed effective date;

(c) on both the date Franchisee sends Franchisor the transfer request and the transfer's proposed effective date, the transferee and its owners and affiliates do not operate or have an ownership interest in a competitive business, as defined in Subsection 18.A.;

(d) Franchisee is allowed to transfer the Lease or sublease the Restaurant Site to the transferee;

(e) Franchisee or the transferee pays Franchisor, at the time Franchisee requests approval of the transfer, a transfer fee equal to Ten Thousand Dollars ($10,000), only Five Thousand Dollars ($5,000) of which will be refunded if the transfer does not occur;

(f) before the transfer's proposed effective date, Franchisee (and its transferring owners) has executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, and agents;

(g) Franchisor has determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Restaurant. Franchisor reserves the right to hire an independent third party to appraise the Restaurant's fair market value and suggest an appropriate sales price before Franchisor grants or denies its consent to the proposed transfer. Franchisee must pay all costs associated with such appraisal. The appraisal price will be considered advisory only and will not bind Franchisor. Franchisor retains the sole right to determine the reasonableness of the sales price and whether the proposed sales price and payment terms will adversely affect the transferee's operation of the Restaurant;

(h) if Franchisee or its owners finance any part of the sales price of the transferred interest, (i) Franchisee and/or its owners agree before the transfer's proposed effective date that the transferee's obligations under any promissory notes, agreements, or security interests that Franchisee or its owners have reserved in the Restaurant are subordinate to the transferee's obligation to pay Weekly Royalty Fees, Weekly Brand Fund Fees, and other amounts due to Franchisor and otherwise to comply with this Agreement, and (ii) Franchisee and its owners must obtain Franchisor's pre-approval and satisfy any conditions Franchisor then reasonably imposes in order to take back the Restaurant upon the transferee's default under any seller-financing documents (Franchisee and its owners do not under any circumstances have the automatic right to take back the Restaurant upon the transferee's default);

(i) before the transfer's proposed effective date, Franchisee and its transferring owners (and their spouses and children) agree that, for two (2) years beginning on the transfer's effective date, they will not engage in any activity proscribed in Subsection 18.B.;

(j) before the transfer's proposed effective date, Franchisee and its transferring owners agree that, after the transfer's effective date, they will not directly or indirectly at any time or in any manner (except in other Mellow Mushroom Restaurants they own and operate) identify themselves in any business as a current or former Mellow Mushroom Restaurant or as one of Franchisor's franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a Mellow Mushroom Restaurant in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with Franchisor;

(k) before the transfer's proposed effective date, (i) Franchisee has corrected existing Restaurant deficiencies of which Franchisor has notified Franchisee on a punch-list or in other communications, and/or (ii) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish the Restaurant according to Franchisor's then-current requirements and specifications for Mellow Mushroom Restaurants within the time period Franchisor specifies following the transfer's effective date (Franchisor will advise the transferee, before the transfer's effective date, of the specific actions it must take and the time period within which it must do so); and

(l) before the transfer's proposed effective date, the transferee (if the transfer is of the franchise rights granted by this Agreement) or Franchisee (if the transfer is of a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee), must, if Franchisor so requires, sign Franchisor's then-current forms of franchise agreement and related documents ("related documents" include the Guaranty and Assumption of Obligations), any and all provisions of which may differ materially from any and all of those contained in this Agreement, provided, however, (i) the duration of the new franchise agreement signed will equal this Agreement's unexpired Term, (ii) the Weekly Royalty Fee percentage charged to the transferee under the new franchise agreement will be the same percentage specified in this Agreement, and (iii) the size of the Exclusive Territory, as defined in this Agreement, will remain the same under the new franchise agreement.

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee, and Franchisor's contact with potential transferees to protect its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding the nature of Franchisee's operation of the Restaurant, and to withhold its consent, as long as its decision is not unreasonable, even if the conditions in clauses 2(a) through 2(l) above are satisfied. Franchisee waives any claim that Franchisor's decision to withhold approval of a proposed transfer in order to protect its business interests—if that decision was reasonable despite satisfaction of the conditions in clauses 2(a) through 2(l) above—constitutes a breach of contract or tortious interference with contractual or business relationships. Franchisor has the sole right to determine whether the transfer conditions above have been satisfied. Franchisor may review all information regarding the Restaurant that Franchisee gives the proposed transferee, correct any information Franchisor believes is inaccurate, and give the transferee copies of any reports Franchisee has given Franchisor or Franchisor has made regarding the Restaurant.

Notwithstanding anything to the contrary in this Section 16 or elsewhere in this Agreement, Franchisor need not consider a proposed transfer of a controlling or non-controlling ownership interest in Franchisee, or a proposed transfer of the franchise rights granted by this Agreement, until Franchisee (or an owner) and the proposed transferee first send Franchisor a copy of a bona fide offer to purchase or otherwise acquire the particular interest from Franchisee (or the owner). For an offer to be considered "bona fide," it must include a copy of all proposed agreements between Franchisee (or its owner) and the proposed transferee related to the sale, assignment, or transfer.

D. Transfer to A Wholly-Owned Corporation or Limited Liability Company.

Despite Subsection 16.C. above, if Franchisee is fully complying with this Agreement, Franchisee may transfer this Agreement to a corporation or limited liability company which conducts no business other than the Restaurant and, if applicable, other Mellow Mushroom Restaurants, in which Franchisee maintains management control, and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all issued and

outstanding capital stock or other ownership interests, and further provided that all of the Restaurant's assets are owned, and the Restaurant's entire business is conducted, by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of Franchisee's obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to the provisions of Subsection 16.C. above. Franchisee agrees to remain personally liable under this Agreement as if the transfer to that corporation or limited liability company did not occur. Such transfer must be approved by Franchisor, and Franchisee must pay all legal fees and expenses Franchisor incurs to prepare and execute any revised franchise documentation.

E. Franchisee's Death or Disability.

(1) Transfer Upon Death or Disability. Upon the Managing Owner's death or disability, the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer the Managing Owner's interest in Franchisee to a third party. The disposition of that interest in Franchisee (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and will be subject to all terms and conditions applicable to transfers contained in this Section. A failure to transfer the ownership interest in Franchisee within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Managing Owner from managing and operating the Restaurant.

(2) Operation Upon Death or Disability. If, upon the Managing Owner's death or disability, a Qualified GM is not managing the Restaurant, the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager to operate the Restaurant. The manager must complete training at Franchisee's expense within the timeframe Franchisor specifies in order to become a Qualified GM.

If, in Franchisor's judgment, the Restaurant is not being managed properly any time after the Managing Owner's death or disability, Franchisor may, but need not, assume the Restaurant's management (or appoint a third party to assume its management). If Franchisor assumes the Restaurant's management (or appoints a third party to do so), the manager will not exercise direct or indirect control over the working conditions of the Restaurant's employees, except to the extent such indirect control is related to Franchisor's legitimate interest in protecting the quality of the products, services, and Mellow Mushroom brand. All funds from the Restaurant's operation while it is under Franchisor's (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. Franchisor may charge Franchisee (in addition to the Weekly Royalty Fee, Weekly Brand Fund Fee, and other amounts due under this Agreement) Four Hundred Dollars ($400) per person per day, plus Franchisor's (or the third party's) direct out-of-pocket costs and expenses, if Franchisor (or a third party) assumes the Restaurant's management under this subparagraph. Franchisor (or a third party) has a duty to utilize only reasonable efforts

and, provided it is not grossly negligent and does not commit an act of willful misconduct, will not be liable to Franchisee or its owners for any debts, losses, lost or reduced profits, or obligations the Restaurant incurs, or to any of Franchisee's creditors for any products, other assets, or services the Restaurant purchases, while Franchisor (or a third party) manages it.

F. Effect of Consent To Transfer.

Franchisor's consent to a transfer of this Agreement and the Restaurant or any interest in Franchisee or its owners is not a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the Restaurant's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or its owners) or of Franchisor's right to demand the transferee's exact compliance with this Agreement's terms or conditions.

G. Franchisor's Right of First Refusal.

If Franchisee, any of its owners, or the owner of a controlling ownership interest in an entity with an ownership interest in Franchisee at any time determines to sell, assign, or transfer for consideration the franchise rights granted by this Agreement and the Restaurant, an ownership interest in Franchisee, or a controlling ownership interest in the entity with an ownership interest in Franchisee in a transaction that otherwise would be allowed under Sections 16.B. and C above, Franchisee (or its owner) agrees to obtain a bona fide, executed written offer (which, as noted in Subsection 16.C. above, must include a copy of all proposed agreements related to the sale or transfer) and earnest money deposit (for five percent (5%) or more of the offering price) from a responsible and fully-disclosed offeror (including lists of the record and beneficial owners of any corporate or limited-liability-company offeror and all general and limited partners of any partnership-offeror and, in the case of a publicly-held corporation or limited partnership, copies of the most current annual and quarterly reports and Form 10K) and immediately send Franchisor a true and complete copy of the offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount. The offer must apply only to an interest in Franchisee (or in the entity with an ownership interest in Franchisee) or in the franchise rights granted by this Agreement and the Restaurant and may not include an offer to purchase any of Franchisee's (or its owners') other property or rights. However, if the offeror proposes to buy any other property or rights from Franchisee (or its owners) under a separate, contemporaneous offer, Franchisee must disclose that separate, contemporaneous offer to Franchisor, and the purchase price and terms offered to Franchisee (or its owners) for the interest in Franchisee (or in the entity with an ownership interest in Franchisee) or in the franchise rights granted by this Agreement and the Restaurant must reflect the bona fide price offered for it or them and not reflect any value for any other property or rights.

The right-of-first-refusal process will not be triggered by a proposed transfer that would not be allowed under Subsections B and C above and therefore may not proceed. Franchisor may require Franchisee (or its owners) to send Franchisor copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. Franchisor has the

unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Subsection.

Franchisor may, by written notice delivered to Franchisee or its selling owner(s) within thirty (30) days after Franchisor receives both an exact copy of the offer and all other information it requests, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that:

(1) Franchisor may substitute cash for any form of payment proposed in the offer;

(2) Franchisor's credit will be deemed equal to the credit of any proposed purchaser;

(3) Franchisor will have not less than sixty (60) days after giving notice of its election to purchase to prepare for closing;

(4) Franchisor must receive, and Franchisee and its owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of or other forms of ownership interest in a legal entity, as applicable, including, without limitation, representations and warranties as to:

(a) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(b) liens and encumbrances relating to the stock or other forms of ownership interest and/or assets;

(c) validity of contracts;

(d) the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;

(e) Franchisee's and its owners' authorization to sell, as applicable, any ownership interests or assets without violating any law, contract, or requirement of notice or consent; and

(f) indemnities for all actions, events, and conditions that existed or occurred in connection with the Restaurant before the closing of Franchisor's purchase; and

(5) if the price offered for the interest proposed to be transferred includes any portion of the transfer fee referenced in Section 16.C.(2)(e) above, Franchisor or its designee may reduce the purchase price it must pay (if it exercises the right of first refusal) by the amount of that transfer fee.

Once Franchisee or its selling owner(s) submits the offer and related information to Franchisor triggering the start of the thirty (30)-day decision period referenced above, the offer is

irrevocable during that thirty (30)-day period. This means Franchisor has the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if Franchisee or its selling owner(s) changes its, his, or her mind during that period and prefers after all not to sell the particular interest that is the subject of the offer. Franchisee and its selling owner(s) may not withdraw or revoke the offer for any reason during the thirty (30)-day period, and Franchisor (or its designee) may exercise the right to purchase the particular interest in accordance with this Subsection's terms.

If Franchisor exercises its right of first refusal, Franchisee and its selling owner(s) agree that, for two (2) years beginning on the closing date, they will be bound by the noncompetition covenant contained in Subsection 18.B. below, although this noncompetition covenant does not apply to other Mellow Mushroom Restaurants that Franchisee or its owners operate under a franchise agreement with Franchisor. Franchisee and its selling owner(s) further agree to abide during this same time period by the restrictions in Subsection 16.C.(2)(j) of this Agreement.

If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to the purchaser on the original offer's exact terms, but only if Franchisor otherwise approves the transfer in accordance with, and Franchisee (and its owners) and the transferee comply with the conditions in, Subsections B and C above. This means that, even if Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Subsections B and C above, Franchisee (or its owners) may not move forward with the transfer at all.

If Franchisee does not complete the sale to the purchaser within sixty (60) days after Franchisor receives the offer (assuming Franchisor does not exercise the right of first refusal), or if there is a material change in the sale terms (which Franchisee agrees promptly to communicate to Franchisor), Franchisor will have an additional right of first refusal during the thirty (30) days following either expiration of the sixty (60)-day period or notice to Franchisor of the material change(s) in the sale terms, either on the terms originally offered or the modified terms, at Franchisor's option.

17. PROTECTION OF TRADEMARKS AND RELATED PROPRIETARY RIGHTS.

A. Rights to the Mellow Mushroom System and the Marks.

Franchisee's right to use the Marks is limited to operation of Franchisee's Restaurant. Franchisee acknowledges Franchisor's ownership of the Marks and the schemes, standards, specifications, operating procedures, and other concepts embodied in the Mellow Mushroom System. Franchisee will acquire no right, title, or interest in these items, and any and all goodwill associated with the Mellow Mushroom System and the Marks inures exclusively to Franchisor's benefit. When this Agreement expires or is terminated, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Mellow Mushroom System or the Marks.

B. Trade Secrets and Confidential Information.

Franchisee acknowledges that, during the Term, Franchisor will disclose in confidence to Franchisee, either orally or in writing, certain Trade Secrets and other Confidential Information.

(1) "Trade Secrets" means the Proprietary Products and any know-how, design, process, procedure, or improvement with respect to the operations of Franchisor or Mellow Mushroom Restaurants that are known only to Franchisor and its employees.

(2) "Confidential Information" means any data or information, other than Trade Secrets, that is competitively sensitive and not disclosed to the public by Franchisor or not generally known by the public, including, without limitation, the confidential contents of the Manual.

(3) Excluded from the term "Confidential Information" is information which Franchisee knows or knew, as evidenced by written records, before Franchisor disclosed it to Franchisee, so long as Franchisee properly obtained this information outside the scope of this Agreement. Excluded from the terms "Trade Secrets" and "Confidential Information" is information which (a) is disclosed to Franchisee in good faith by a third party who has the right to make such a disclosure and is not violating any obligation to Franchisor with respect to such information; (b) is or becomes known or available to the public through no fault of Franchisee and without breach of this Agreement; or (c) is furnished to a third party by Franchisor without a similar restriction on the third-party's rights.

(4) All Trade Secrets and Confidential Information are and remain Franchisor's property. Any reproductions, notes, summaries, or similar documents relating to the Trade Secrets and Confidential Information, and any files, memoranda, reports, price lists, customer lists, and other documents relating to the Mellow Mushroom System, will become and remain Franchisor's property immediately upon their creation. When this Agreement expires or is terminated, or upon Franchisor's prior demand, Franchisee must immediately return all of these materials together with all copies.

(5) Franchisee agrees that it will not during or after the Term use or permit the duplication or disclosure to any person of any Trade Secrets or Confidential Information (other than an employee, agent, or representative of Franchisee who must have such information to perform Franchisee's obligations under this Agreement), unless Franchisor authorizes such use, duplication, or disclosure in writing.

(6) All ideas, concepts, techniques, and materials relating to a Mellow Mushroom Restaurant, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of the Franchise System, and works made-for-hire for Franchisor. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, by this paragraph Franchisee assigns ownership of and all related rights to that item to Franchisor and agrees to take whatever action (including signing assignment or other documents) Franchisor requests to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the item.

C. Limitations on Franchisee's Use of Marks.

Franchisee agrees to use the Marks as the Restaurant's sole identification, except that Franchisee agrees to identify itself as the Restaurant's independent owner in the manner Franchisor prescribes. Except to the extent Franchisor authorizes Franchisee to do so, Franchisee may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos Franchisor has licensed to Franchisee), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address, or search engine Franchisee maintains on any Electronic Media, or otherwise in connection with a Website, or (5) in any other manner Franchisor has not expressly authorized in writing. (A "Website" is defined as an interactive electronic document contained in a network of computers linked by communications software, including the Internet and World Wide Web Home Pages.) At Franchisor's request, Franchisee agrees to participate, in the manner Franchisor specifies, in any Website Franchisor has established for the Mellow Mushroom System.

Franchisee may not use any Mark in advertising the transfer, sale, or other disposition of the Restaurant or an ownership interest in Franchisee without Franchisor's prior written consent, which Franchisor will not unreasonably withhold. Franchisee agrees to display the Marks prominently in the manner Franchisor prescribes at the Restaurant and on forms, advertising and marketing materials, supplies, and other materials Franchisor designates. Franchisee agrees to give the notices of trademark and service mark registrations Franchisor specifies and to obtain any fictitious or assumed-name registrations required under applicable law. To the extent Franchisee uses any Mark in employment-related materials, Franchisee must include a clear disclaimer that Franchisee (and only Franchisee) is the employer of employees at the Restaurant and that Franchisor, as the franchisor of Mellow Mushroom Restaurants, and its affiliate are not their employer or joint employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Franchisee also must obtain an acknowledgment (in the form Franchisor specifies or approves) from all Restaurant employees that Franchisee (and not Franchisor or its affiliates) is their employer.

D. Notification of Infringements and Claims.

Franchisee agrees to notify Franchisor immediately of any apparent infringement or challenge to Franchisee's use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than Franchisor and its attorneys, and Franchisee's attorneys, regarding any infringement, challenge, or claim. Franchisor may take the action it deems appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Mark. Franchisee agrees to sign any documents and do the things that, in the opinion of Franchisor's attorneys, are necessary or advisable to protect and maintain Franchisor's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain Franchisor's interests in the Marks.

E. Discontinuance of Use of Marks.

If it becomes advisable to Franchisor at any time for Franchisor and/or Franchisee to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, Franchisee agrees to comply with Franchisor's directions within a reasonable time after receiving notice. Franchisor need not reimburse Franchisee for its direct expenses of changing the Restaurant's signs, for any loss of revenue attributable to any modified or discontinued Mark, or for its expenses of promoting a modified or substitute trademark or service mark.

F. Indemnification for Use of Marks.

Franchisor agrees to reimburse Franchisee for all damages it sustains and reasonable expenses it incurs in responding to any claim or proceeding disputing Franchisee's authorized use of any Mark under this Agreement if Franchisee has timely notified Franchisor of the claim or proceeding and otherwise complied with this Agreement. Franchisor may, at its own option, defend and control the defense of any proceeding arising out of Franchisee's use of any Mark under this Agreement.

18. NONCOMPETITION.

A. During Term of Agreement.

Franchisee acknowledges and agrees that Franchisor could not protect Trade Secrets and Confidential Information against unauthorized use or disclosure or encourage a free exchange of ideas and information among Mellow Mushroom Restaurants if franchised owners of Mellow Mushroom Restaurants could hold interests in or perform services for a competitive business (defined below). Franchisee also acknowledges that Franchisor has granted the Franchise to Franchisee in consideration of and reliance upon Franchisee's agreement to deal exclusively with Franchisor. Franchisee therefore agrees that, during the Term, neither Franchisee nor any of its owners (nor any of their spouses or children) may:

(1) have any direct or indirect interest as a disclosed or beneficial owner in a competitive business, wherever located or operating;

(2) perform services as a director, officer, manager, employee, consultant, representative, or agent for a competitive business, wherever located or operating; or

(3) divert or attempt to divert any actual or potential business or customer of the Restaurant to another business.

The term "competitive business" means any restaurant or food service business that features pizza as a primary or significant menu item or an entity granting franchises or licenses to others to operate that type of business (other than a Mellow Mushroom Restaurant operated under a franchise agreement with Franchisor). "Primary" or "significant" means either that (i) the business derives ten percent (10%) or more of its revenue from selling pizza or (ii) ten percent (10%) or more of the business' menu consists of pizza.

All of Franchisee's personnel performing managerial or supervisory functions or receiving special training and instruction must, to the extent permitted by applicable law, sign reasonable noncompetition covenants appropriate for their positions to protect Trade Secrets and Confidential Information and the competitiveness of Mellow Mushroom Restaurants. However, under no circumstances will Franchisor control the forms of employment agreements Franchisee uses with its employees or otherwise be responsible for Franchisee's labor relations or employment practices.

B. After Term of Agreement.

Upon

(1) Franchisor's termination of this Agreement according to its terms and conditions,

(2) Franchisee's termination of this Agreement without cause, or

(3) expiration of this Agreement,

Franchisee and its owners agree that, for two (2) years beginning on the effective date of termination or expiration or, in the case of any particular person restricted by this Subsection, beginning on the date on which that restricted person begins to comply with this Subsection, whichever is later, neither Franchisee nor any of its owners will have any direct or indirect interest (e.g., through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative, or agent in any competitive business (defined above) operating at the Restaurant Site or within ten (10) miles of the Restaurant Site.

If any person restricted by this Subsection refuses voluntarily to comply with these obligations, the two (2)-year period for that person will begin with the entry of a court order enforcing this provision. The two (2)-year period for a restricted person will be tolled, if applicable, for the period during which the restricted person breaches this Subsection and will resume when that person resumes compliance. Franchisee and its owners expressly acknowledge they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, enforcing the covenants made in this Subsection will not deprive them of their personal goodwill or ability to earn a living.

19. RELATIONSHIP OF THE PARTIES.

(1) Franchisee and Franchisor understand and agree that this Agreement does not create a fiduciary relationship between them. Franchisee and Franchisor are and will be independent contractors and are entering this Agreement with that intent and expectation. Neither Franchisor nor Franchisee intends that anything in this Agreement, or any aspect of their relationship, will make either of them a general or special agent, joint venturer, partner, or employee of the other for any purpose. Nor is Franchisor or its affiliates the employer or joint employer of the Restaurant's employees. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, Restaurant personnel, and others as the

Restaurant's independent owner, operator, and manager under a franchise Franchisor has granted and to place notices of independent ownership on the forms, business cards, stationery, advertising and marketing, and other materials Franchisor periodically requires.

(2) Franchisor and its affiliates will not exercise direct or indirect control over the working conditions of Restaurant personnel, except to the extent such indirect control is related to Franchisor's legitimate interest in protecting the quality of the products, services, or Mellow Mushroom brand. Franchisor and its affiliates do not share or codetermine the terms and conditions of employment of Restaurant employees or affect matters relating to the employment relationship between Franchisee and Restaurant employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, Franchisee agrees to identify itself conspicuously in all dealings with Restaurant personnel as the employer of such personnel and that Franchisor, as the franchisor of Mellow Mushroom Restaurants, and its affiliates are not their employer or joint employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Franchisee also must obtain an acknowledgment (in the form Franchisor specifies or approves) from all Restaurant employees that Franchisee (and not Franchisor or its affiliates) is their employer.

20. DEFAULT.

A. Termination.

(1) By Franchisee. If Franchisee and its owners are fully complying with this Agreement and Franchisor substantially fails to comply with this Agreement and does not correct the failure within sixty (60) days after Franchisee delivers written notice of the substantial failure to Franchisor or, if Franchisor cannot correct the failure within sixty (60) days, provide Franchisee within sixty (60) days after its notice reasonable evidence of Franchisor's effort to correct the failure within a reasonable time, Franchisee may terminate this Agreement effective thirty (30) days after delivery to Franchisor of written notice of termination. Franchisee's termination of this Agreement for any other reason or without notice will be deemed a termination without cause and a breach of this Agreement.

(2) By Franchisor. Franchisor may terminate this Agreement, effective upon delivery of written notice of termination to Franchisee, if:

(a) Franchisee (or any of its owners) made any material misrepresentation or omission in acquiring the Franchise or makes any material misrepresentation or omission in operating the Restaurant;

(b) Franchisee fails (a) to find and obtain Franchisor's written acceptance of a site or to secure an accepted site under a Lease that Franchisor accepts on or before the required deadline for each such step specified in Section 6.A., or (b) to develop, open, and begin operating the Restaurant in compliance

with this Agreement within ten (10) months after the date Franchisee signs the Restaurant's Lease (regardless of the first day of the Lease's term) but not later than eighteen (18) months after this Agreement's effective date;

(c) The landlord of the Restaurant Site refuses to approve the Restaurant's proposed plans or any modifications of those plans approved by Franchisor after receiving the landlord's input, as a result of which Franchisee cannot develop the Restaurant in accordance with Franchisor's standards and specifications for the Mellow Mushroom Restaurant proposed to be developed at the Restaurant Site;

(d) The Managing Owner fails to complete initial training to Franchisor's satisfaction;

(e) Franchisee (i) abandons the Restaurant, meaning Franchisee has deserted, walked away from, or closed the Restaurant under circumstances leading Franchisor to conclude that Franchisee has no intent to resume the Restaurant's operation, regardless of the number of days that have passed since the apparent abandonment, or (ii) fails actively and continuously to operate the Restaurant (a failure to operate the Restaurant for three (3) or more consecutive days will be deemed a default under this clause (ii), except where closure is due to fire, riot, flood, acts of terrorism, or natural disaster and Franchisee notifies Franchisor within three (3) days after the particular occurrence to obtain Franchisor's written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before Franchisee must re-open);

(f) Franchisee surrenders or transfers control of the Restaurant's operation without Franchisor's prior written consent;

(g) Franchisee (or any of its owners) is or has been convicted by a trial court of, or pleads or has pleaded guilty or no contest to, a felony;

(h) Franchisee interferes with Franchisor's right to inspect the Restaurant;

(i) Franchisee purchases or uses products which are similar to Proprietary Products but are not approved Proprietary Products;

(j) Franchisee (or any of its owners) engages in any dishonest, immoral, or unethical conduct which might adversely affect the reputation of the Restaurant or the goodwill associated with the Marks;

(k) Franchisee, any of its owners, or the owner of a controlling ownership interest in an entity with an ownership interest in Franchisee makes an unauthorized assignment of the franchise rights granted by this Agreement, the Restaurant, an ownership interest in Franchisee, or a controlling ownership interest in an entity with an ownership interest in Franchisee;

(l) Franchisee (or any of its owners or affiliates) (i) fails to comply with any provision of another franchise agreement with Franchisor and to cure such default (if such default is curable) as required in that franchise agreement, or (ii) commits an incurable default under another franchise agreement with Franchisor that would allow Franchisor to terminate that agreement;

(m) in the event of the Managing Owner's death or disability, the Managing Owner's interest in Franchisee is not assigned as required;

(n) Franchisee loses the right to possess the Restaurant Site;

(o) Franchisee (or any of its owners) makes any unauthorized use or disclosure of any Trade Secrets or Confidential Information or uses, duplicates, or discloses any portion of the Manual in violation of this Agreement;

(p) Franchisee violates any health, safety, or sanitation law, ordinance, or regulation and does not begin to cure the violation immediately, and correct the violation within the time mandated by law, after oral or written notice is delivered to it;

(q) Franchisee fails to pay any amounts due to Franchisor or any suppliers and does not correct the failure within seven (7) days after delivery of written notice of the failure to Franchisee;

(r) Franchisee fails to pay when due any federal or state income, service, sales, or other taxes due on the Restaurant's operations, unless Franchisee is in good faith contesting its liability for these taxes;

(s) Franchisee understates the Restaurant's Weekly Gross Sales three (3) times during the Term;

(t) Franchisee's (or any of its owners') assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee (or any of its owners) otherwise violates any such law, ordinance, or regulation;

(u) Franchisee (or any of its owners) fails to comply with any other provision of this Agreement or any standard, specification, or operating procedure and does not correct the failure within fifteen (15) days after Franchisor delivers to Franchisee written notice of the failure;

(v) Franchisee (or any of its owners) fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to do any one or more or combination of the following: (i) submit when due reports or other data, information, or supporting records; (ii) pay when due any amounts due to Franchisor; or (iii) otherwise comply with this Agreement, whether or not it corrects any of the failures set forth in subparagraphs (i) through (iii) after

Franchisor delivers written notice to Franchisee (Franchisor may terminate immediately upon the occurrence of the third default); or

(w) Franchisee makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or the substantial part of its property; the Restaurant is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within fifteen (15) days; or any order appointing a receiver, trustee, or liquidator of Franchisee or the Restaurant is not vacated within fifteen (15) days following the entry of the order.

(3) Assumption of Management. Franchisor has the right (but not the obligation), under the circumstances described below, to enter the Restaurant and assume its management (or to appoint a third party to assume its management). If Franchisor (or a third party) assumes the Restaurant's management, the manager will not exercise direct or indirect control over the working conditions of the Restaurant's employees, except to the extent such indirect control is related to Franchisor's legitimate interest in protecting the quality of the products, services, and Mellow Mushroom brand. If Franchisor (or a third party) assumes the Restaurant's management under clauses (1) or (2) below, Franchisee agrees to pay Franchisor (in addition to the Weekly Royalty Fee, Weekly Brand Fund Fee, and other amounts due under this Agreement) Four Hundred Dollars ($400) per person per day, plus Franchisor's (or the third party's) direct out-of-pocket costs and expenses, for up to ninety (90) days after Franchisor assumes management.

If Franchisor (or a third party) assumes the Restaurant's management, Franchisee acknowledges that Franchisor (or the third party) will have a duty to utilize only reasonable efforts and, provided Franchisor is not grossly negligent and does not commit an act of willful misconduct, Franchisor will not be liable to Franchisee or its owners for any debts, losses, lost or reduced profits, or obligations the Restaurant incurs, or to any of Franchisee's creditors for any supplies, products, or other assets or services the Restaurant purchases, while Franchisor (or the third party) manages it. If Franchisor (or a third party) assumes the Restaurant's management under clauses (1) or (3) below, Franchisor (or the third party) may retain all, and need not pay Franchisee or otherwise account to Franchisee for any, Weekly Gross Sales generated while Franchisor (or the third party) manages the Restaurant.

Franchisor (or a third party) may assume the Restaurant's management under the following circumstances: (1) if Franchisee abandons or fails actively to operate the Restaurant; (2) if Franchisee fails to comply with any provision of this Agreement, including any standard, specification, or operating procedure, and does not cure the failure within the time period Franchisor specifies in its notice to Franchisee, but only for as long as it takes Franchisor, using reasonable commercial efforts, to correct the failure Franchisee failed to cure; or (3) if this Agreement expires or is terminated and Franchisor is deciding whether to exercise its option to purchase the Restaurant under Subsection 20.D. below. If Franchisor exercises its rights under clauses (1) or (2) above, that will not affect its right to terminate this Agreement under Subsection 20.A.(2) above. In the event

of an assumption under clause (2) above, Franchisor will periodically evaluate whether or not the Managing Owner or an alternative approved manager is capable of resuming the Restaurant's operation and will periodically discuss the Restaurant's status with Franchisee.

B. Obligations Upon Termination or Expiration.

When this Agreement expires or is terminated, Franchisee must:

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

(2) Immediately and permanently cease to use, by advertising or in another manner, the Marks or any equipment, materials, Trade Secrets, Confidential Information, forms, and confidential methods, procedures, and techniques associated with the Mellow Mushroom System;

(3) Immediately make such modifications or alterations to the Restaurant Site (including, without limitation, changing all telephone numbers in Franchisee's name and other communications-equipment listings) that Franchisor deems necessary to prevent the operation of any business at the Restaurant Site which might be deemed substantially similar to that of Franchisor or any other franchisee, provided, however, Franchisor may waive this provision if Franchisor exercises its option under the Collateral Assignment of Lease or otherwise takes over the Restaurant Site. If Franchisee fails or refuses to comply with this subparagraph's requirements, Franchisor may enter upon the Franchisee's business premises, without being guilty of trespass or any other tort, to make the changes required at Franchisee's expense;

(4) Turn over to Franchisor any and all copies of the Manual, the Trade Secrets and Confidential Information, and any other materials relating to operating the Restaurant, including (at Franchisor's request) materials or items reflecting or embodying characters associated with the Mellow Mushroom System (such as "Mel Mushroom" or "The Dude"), all of which are Franchisor's sole property;

(5) Immediately assign to Franchisor, or forward to numbers Franchisor specifies, all telephone and other numbers in Franchisee's name that Franchisee used in operating the Restaurant, and assign to Franchisor (or its designee) or cancel any electronic address, domain name, search engine, or Website associating Franchisee with Franchisor, the Restaurant, or the Marks (if Franchisor has allowed Franchisee to establish one), for all of which purposes Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do any act on Franchisee's behalf to effect any such assignment, which power of attorney may be relied upon by any third parties; and

(6) Abide by all noncompetition provisions described in Subsection 18.B.

C. Monetary Obligations.

Franchisee agrees to pay Franchisor within fifteen (15) days after this Agreement expires or is terminated, or on any later date the amounts due to Franchisor are determined, the Weekly Royalty Fees, Weekly Brand Fund Fees, amounts owed for purchases from Franchisor, interest, and all other amounts owed to Franchisor which then are unpaid. If Franchisor terminates this Agreement on any ground specified under Section 20.A.(2), or if Franchisee terminates this Agreement without cause, before the Term's scheduled expiration date, Franchisee also will be liable to Franchisor for all of its damages caused by Franchisee's breach of contract, including Franchisor's lost future royalties and lost future Brand Fund contributions.

D. Franchisor's Right to Purchase Restaurant and/or Lease Restaurant Site.

(1) Exercise of Option. Upon

(a) Franchisor's termination of this Agreement according to its terms and conditions,

(b) Franchisee's termination of this Agreement without cause, or

(c) expiration of this Agreement (if Franchisor offers, but Franchisee elects not to acquire, a successor franchise, or if Franchisor does not offer Franchisee a successor franchise due to its failure to satisfy the conditions for a successor franchise set forth in Subsection 3.B.),

Franchisor may, by giving Franchisee written notice within thirty (30) days after the date of termination or expiration, (i) purchase the Restaurant's operating assets and supplies and the fee simple interest in the Restaurant Site (if Franchisee or one of its affiliates owns the Restaurant Site) and/or, if Franchisee (or one of its affiliates) does not own the Restaurant Site or Franchisor chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Restaurant Site, (ii) exercise the rights under subparagraph (2) below. Franchisor has the unrestricted right to assign this option to purchase. Franchisor is entitled to all customary warranties and representations in its asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; liabilities affecting the assets, contingent or otherwise; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Restaurant before the closing of Franchisor's purchase.

(2) Rights to Restaurant Site. If Franchisee leases the Restaurant Site from an unaffiliated lessor, or if Franchisor chooses not to purchase Franchisee's (or its affiliate's) fee simple interest in the Restaurant Site, Franchisee agrees (as applicable) at Franchisor's election:

(a) to assign its leasehold interest in the Restaurant Site to Franchisor;

(b) to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease; or

(c) to lease the Restaurant Site to Franchisor for an initial ten (10)-year term, with two five (5)-year renewal terms (at Franchisor's option), on commercially-reasonable terms.

(3) Purchase Price. The purchase price for the Restaurant's operating assets and supplies and, if applicable, the fee simple interest in the Restaurant Site will be their fair market value, provided these items will not include any value for:

(a) the Franchise or any rights granted by this Agreement;

(b) the Marks;

(c) participation in the network of Mellow Mushroom Restaurants; or

(d) goodwill attributable to Franchisor's Marks, brand image, and other intellectual property.

Franchisor may exclude from the assets purchased any operating assets and supplies that are not reasonably necessary (in function or quality) to the Restaurant's operation or that Franchisor has not approved as meeting standards for Mellow Mushroom Restaurants, and the purchase price will reflect these exclusions.

If Franchisor and Franchisee cannot agree on fair market value, fair market value will be determined by three (3) independent appraisers, each of whom will conduct a separate appraisal and, in doing so, be bound by the criteria specified in this subparagraph (3). Franchisor will appoint one appraiser, Franchisee will appoint one appraiser, and the two party-appointed appraisers will appoint the third appraiser. Franchisor and Franchisee agree to select their respective appraisers within fifteen (15) days after Franchisor notifies Franchisee it wishes to exercise its option to purchase, and the two appraisers so chosen are obligated to appoint the third appraiser within fifteen (15) days after the last of the two party-appointed appraisers was appointed. Franchisor and Franchisee will bear the cost of their own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisals within thirty (30) days after the third appraiser's appointment. The purchase price will be the average of the three appraisals.

(4) Closing. Franchisor (or its assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although Franchisor (or its assignee) may decide after the purchase price is determined not to purchase the Restaurant's assets. Franchisor may set off against the purchase price, and reduce the purchase price by, any and all amounts Franchisee or its owners owe Franchisor. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor:

(a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by Franchisee;

(b) all Restaurant licenses and permits which may be assigned or transferred; and

(c) the fee simple or leasehold interest in the Restaurant Site and improvements.

If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, Franchisor and Franchisee will close the sale through an escrow. Franchisee and its owners further agree to execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors, and assigns.

21. ENFORCEMENT.

In addition to any other remedies to which Franchisor is entitled at law or in equity, Franchisor is entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (a) Franchisee's use of the Marks; (b) Franchisee's preparation and distribution of products at its Restaurant; (c) the construction and equipping of the Restaurant; (d) Franchisee's obligations upon termination or expiration of this Agreement; (e) an assignment or transfer of the Franchise, any ownership interest in Franchisee or its owners, or the Lease for the Restaurant Site; (f) violations of any applicable law, ordinance, or regulation; and (g) Franchisee's non-competition and confidentiality covenants.

22. NOTICES.

All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section 22. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial-courier service for next-business-day delivery; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return-Receipt Requested, postage-prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Payments and certain information and reports Franchisee must send Franchisor under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when Franchisor actually receives them electronically (all payments, information, and reports must be received on or before their due dates in the form and manner specified in this Agreement). As of this Agreement's effective date, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

Franchisor: Home-Grown Industries of Georgia, Inc.
150 Great Southwest Parkway
Atlanta, Georgia 30336
Attn: Richard A. Brasch

Franchisee: at the Restaurant Site except as otherwise provided in Paragraph (E) of Exhibit A.

If Franchisee's Restaurant has not yet been constructed or has not yet opened for business, or if Franchisee at any time during the Term loses possession of or otherwise cannot be reached at the Restaurant Site, Franchisee's address for notice purposes will be the residential or office address (as applicable) of Franchisee's owner specified in Exhibit A.

23. MISCELLANEOUS.

A. Further Acts.

The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement.

B. Heirs and Successors.

This Agreement will be binding upon and inure to the benefit of the parties and their permitted heirs, successors, and assigns.

C. Entire Agreement.

This Agreement represents the entire understanding between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, other than any other agreement executed by Franchisor or its affiliates and Franchisee contemporaneously with this Agreement's execution. Subject to Franchisor's right to modify the Manual, this Agreement may not be modified except by a written instrument signed by the party to be charged and referring specifically to the portion of this Agreement to be modified. The parties intend this Agreement to be the entire integration of all their agreements of any nature but in no way affects Franchisee's obligations to comply with Franchisor's specifications as determined from time to time. No other agreements, representations, promises, commitments, or the like of any nature exist between the parties. However, nothing in this Agreement or any related agreement disclaims or requires Franchisee to waive its reliance on Franchisor's representations in its most recent Franchise Disclosure Document (including exhibits) delivered to Franchisee or its representative.

D. Severability and Substitution of Valid Provisions.

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is considered severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with

competent jurisdiction in a proceeding to which Franchisor is a party, that ruling will not impair the operation of, or have any other effect upon, any other portions of this Agreement, which will continue to have full force and effect and bind the parties, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party, otherwise upon Franchisee's receipt from Franchisor of a notice of non-enforcement.

(2) If any covenant restricting competitive activity is deemed unenforceable due to its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, Franchisee and Franchisor agree the covenant will be reformed to the extent necessary to be reasonable and enforceable, and then enforced to the fullest extent permissible, under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

(3) If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of Franchisor's refusal to enter into a successor-franchise agreement, or some other action this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any standard, specification, or operating procedure is invalid or unenforceable, the prior notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and Franchisor may modify the invalid or unenforceable provision or standard, specification, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty the law permits, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement, or any standard, specification, or operating procedure, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which Franchisor is a party, or that results from reducing the scope of any promise or covenant to the extent required to comply with a court order or arbitration award. These modifications to this Agreement will be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and enforced as originally made and entered into in all other jurisdictions.

E. Waiver of Obligations.

Franchisor and Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or any other effective date stated in the waiver notice. Any waiver Franchisor grants will be without prejudice to any other rights it has, will be subject to its continuing review, and may be revoked at any time and for any reason, effective upon delivery to Franchisee of ten (10) days' prior written notice.

Franchisor and Franchisee will not be deemed to have waived or impaired any right, power, or option this Agreement reserves (including, without limitation, Franchisor's right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) by virtue of any custom or practice at variance with this Agreement's terms; Franchisor's or Franchisee's failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's exact compliance

with their obligations under this Agreement, including, without limitation, Franchisor's waiver, forbearance, delay, failure, or omission to exercise any right, power, or option, whether of the same, similar, or different nature, with other Mellow Mushroom Restaurants; the existence of other franchise agreements for Mellow Mushroom Restaurants which contain provisions different from those this Agreement contains; or Franchisor's acceptance of any payments due from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to Franchisor will be a waiver, compromise, settlement, or accord and satisfaction. Franchisor may remove or obliterate any legend or endorsement, which then will have no effect.

Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if, for reasons that are not due to its own fault and are beyond its control, its failure to perform its obligations results from:

(1) transportation shortages, inadequate supplies of equipment, products, supplies, or materials, or voluntarily foregoing the right to acquire or use any of these to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any of its departments or agencies;

(2) acts of God;

(3) fires, floods, tornadoes, hurricanes, and other natural disasters;

(4) strikes, embargoes, war, or riot; or

(5) any other similar event or cause.

Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Weekly Royalty Fees and Weekly Brand Fund Fees due on any Weekly Gross Sales afterwards.

F. Costs and Attorneys' Fees.

If Franchisor incurs expenses (both internal and external) to enforce its rights or Franchisee's obligations under this Agreement because Franchisee has failed to pay when due amounts owed to Franchisor, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, Franchisee agrees to reimburse Franchisor for any of the costs and expenses (both internal and external) it incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Franchisee's obligation to reimburse Franchisor arises whether or not Franchisor begins a formal legal proceeding against Franchisee to enforce this Agreement. If Franchisor does begin a formal legal proceeding against Franchisee to enforce this Agreement, the reimbursement obligation applies to all costs and expenses Franchisor incurs preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements).

G. Franchisee May Not Withhold Payments Due to Franchisor.

Franchisee agrees not to withhold payment of any amounts owed to Franchisor on the grounds of Franchisor's alleged nonperformance of any of its obligations under this Agreement. Franchisee specifically waives any right it has at law or in equity to offset any monies Franchisee owes Franchisor or its affiliates or to fail or refuse to perform any of its obligations under this Agreement.

H. Rights of Parties Are Cumulative.

Franchisor's and Franchisee's rights under this Agreement are cumulative, and either party's exercise or enforcement of any right or remedy under this Agreement will not preclude its exercise or enforcement of any other right or remedy under this Agreement which it is entitled by law to enforce.

I. GOVERNING LAW.

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE WILL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO ITS CONFLICT OF LAWS PRINCIPLES, EXCEPT THAT (1) ANY GEORGIA LAW REGULATING FRANCHISE OFFERS OR SALES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH, AND (2) THE ENFORCEABILITY OF THOSE PROVISIONS IN THIS AGREEMENT WHICH RELATE TO RESTRICTIONS ON FRANCHISEE'S (AND ITS OWNERS') COMPETITIVE ACTIVITIES WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH THE RESTAURANT IS LOCATED.

J. CONSENT TO JURISDICTION.

FRANCHISEE AND ITS OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE MUST BE COMMENCED IN A STATE OR FEDERAL COURT OF GENERAL JURISDICTION LOCATED CLOSEST TO WHERE FRANCHISOR HAS ITS PRINCIPAL BUSINESS ADDRESS WHEN THE ACTION IS COMMENCED. FRANCHISEE AND ITS OWNERS IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION THEY MAY HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, FRANCHISEE AND ITS OWNERS AGREE THAT FRANCHISOR MAY ENFORCE THIS AGREEMENT IN THE COURTS OF THE STATE IN WHICH THE RESTAURANT IS LOCATED.

K. WAIVER OF MULTIPLE DAMAGES, JURY TRIAL, AND CLASS ACTIONS.

EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR UNDER SECTION 12 AND EXCEPT FOR CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR ITS UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY TRADE SECRETS OR CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE AND THEIR RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT THE LAW PERMITS ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE, OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM. EACH ACKNOWLEDGES THAT IT MAKES THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

FRANCHISEE WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS OR TO PARTICIPATE IN ANY LEGAL ACTIONS BROUGHT EITHER ON A CONSOLIDATED BASIS WITH OTHER FRANCHISEES OR ON A REPRESENTATIVE BASIS BY A FRANCHISEE ASSOCIATION.

L. Limitations of Claims.

Except for Franchisee's indemnification obligations under Section 12 and except for claims arising from Franchisee's non-payment or underpayment of amounts it owes Franchisor under this Agreement or otherwise, any and all claims arising out of or relating to this Agreement or the parties' relationship will be barred unless a legal proceeding (in the required or permitted forum) is commenced within two (2) years from the date on which the violation, act, or conduct giving rise to the claim occurs, regardless of when the party asserting the claim knew or should have known of the facts giving rise to the claim.

M. Construction.

(1) Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold its approval of any Franchisee action or request, Franchisor has the absolute right to refuse any request Franchisee makes or to withhold its approval of any of Franchisee's proposed, initiated, or completed actions requiring Franchisor's approval. Any policies Franchisor adopts and implements from time to time to guide its decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor.

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

(3) References in this Agreement to "Franchisor," with respect to all of its rights and all of Franchisee's obligations to Franchisor under this Agreement, include any of Franchisor's affiliates with whom Franchisee deals. The term "affiliate" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling another. "Control" means the power to direct or cause the direction of management and policies.

(4) If two or more persons are at any time the Franchisee under this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in Franchisee (or a transferee of the rights granted by this Agreement and the Restaurant or an interest in Franchisee), including, without limitation, any person who has a direct or indirect interest in Franchisee (or a transferee), the rights granted by this Agreement, the Franchise, or the Restaurant and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

(5) References to a "controlling interest" or "controlling ownership interest" in Franchisee mean the percent of Franchisee's voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of Franchisee's owners. In the case of a proposed transfer of an ownership interest in Franchisee, determination of whether a "controlling interest" or "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling interest" or "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company or partnership, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

(6) The term "Restaurant" includes all assets of the Mellow Mushroom Restaurant Franchisee operates under this Agreement, including its revenue and income and the Real Estate Agreement.

(7) This Agreement will become valid and enforceable only upon its full execution by Franchisor and Franchisee, although Franchisor and Franchisee need not be signatories to the same original, facsimile, or electronically-transmitted counterpart of this Agreement. A faxed copy of an originally-signed signature page, a scanned copy of an originally-signed signature page that is sent as a .pdf by email, or a signature page bearing an electronically/digitally captured signature and transmitted electronically will be deemed an original.

(8) Franchisee acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications, and Franchisor and Franchisee may utilize e-mail for such communications. Franchisee authorizes the transmission of e-mail by Franchisor and its employees, vendors, and affiliates ("Official Senders") to

Franchisee during the Term. Franchisee further agrees that: (a) Official Senders are authorized to send e-mails to those of Franchisee's employees whom Franchisee occasionally authorizes for the purpose of communicating with Franchisor; (b) Franchisee will cause its officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Franchisee will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders while such person works for or is affiliated with Franchisee; and (d) Franchisee will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

24. COMPLIANCE WITH ANTI-TERRORISM LAWS.

Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being blocked under, and Franchisee and its owners otherwise are not in violation of, any Anti-Terrorism Law. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of Anti-Terrorism Laws by Franchisee and its owners, or any blocking of Franchisee's and its owners' assets under Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement, as provided in Subsection 20.A(2)(t) above.

25. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES.

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by Franchisor, any franchise seller, or any other person acting on Franchisor's behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated on the first page.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____

Print Name: Richard A. Brasch
Title: President and Chief Executive Officer
Date**:** _____**

**Effective Date

FRANCHISEE:

_____, a _____

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

EXHIBIT A

TO THE FRANCHISE AGREEMENT
BETWEEN HOME-GROWN INDUSTRIES OF GEORGIA, INC.
AND _____
DATED _____

Effective Date: This Exhibit A is current and complete as of _____

Franchisee and Its Owners

Form of Ownership
(Check One)

____ Individual(s)

_____ Legal Entity (check one):

__ Partnership
__ Corporation
___Limited Liability Company

If a legal entity, attach a copy of the certificate of formation or articles of partnership and provide the following information:

(A) the name, address, and percentage of ownership of each owner, member, or partner and indicate whether each such person will be active in the business:

[Information to be inserted]

(B) the date and state in which the legal entity was formed: _____

(C) if a corporation, the name and address of each officer and director: _____

(D) the name of, and all contact information for, the Managing Owner as of the Effective Date: _____. Franchisee may not change the Managing Owner without Franchisor's prior written approval.

(E) If Franchisee's Restaurant has not yet been constructed or has not yet opened for business, or if Franchisee at any time during the Term loses possession of or otherwise cannot be reached at the Restaurant Site, Franchisee's address for notice purposes will be the following residential or office address (as applicable) of the following owner of Franchisee: _____.

(F) Provide the address where Franchisee's financial records and partnership, corporate, or company records, as applicable, are maintained (Restaurant Site will be deemed to be the address unless otherwise stated below): _____

Franchisee acknowledges that this Statement of Ownership applies to the Restaurant authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to (and in some cases first approved by) Franchisor in writing.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____

Print Name: Richard A. Brasch
Title: President and Chief Executive Officer
Date**:** _____

FRANCHISEE:

_____, a _____

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

EXHIBIT B

RESTAURANT SITE

1. The non-exclusive Site Selection Area for Franchisee's proposed Mellow Mushroom Restaurant is described as follows:_____ _____ (see attached map, if applicable). The Site Selection Area is simply the geographical area within which Franchisee will look for the Restaurant's site. It has no bearing on and is not relevant to the size of the Exclusive Territory defined in Section 2 of the Franchise Agreement.

2. The Restaurant Site for Franchisee's Mellow Mushroom Restaurant is _____.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____

Print Name: Richard A. Brasch
Title: President and Chief Executive Officer
Date: _____

FRANCHISEE:

_____, a _____

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

EXHIBIT C

RIDER AND SPECIAL STIPULATIONS

TO LEASE AGREEMENT DATED _____
BY AND BETWEEN

_____, AS "LANDLORD"
AND

_____, AS "TENANT" FOR THE DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to HGI; Disclaimer. Landlord acknowledges that Tenant intends to operate a Mellow Mushroom® restaurant in the Premises, and that Tenant's rights to operate a Mellow Mushroom® restaurant and to use the Mellow Mushroom® name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Home-Grown Industries of Georgia, Inc. ("HGI"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that HGI has no liability whatsoever hereunder, unless subsequently assumed in writing by HGI. Tenant hereby assigns, transfers, and sets over to HGI, for collateral purposes only, Tenant's rights to and interest in the Lease. Upon Tenant's default under the Lease or the Franchise Agreement, or upon expiration or termination of the Franchise Agreement, HGI has the right to take possession of the Premises and expel Tenant from the Premises. In that event, Tenant will have no further right to or interest in the Lease but will remain liable to HGI for all past due rents and other sums HGI might be required to pay Landlord in order to assume possession of the Premises. Notwithstanding any provisions of the Lease to the contrary, including without limitation the provisions of Section _____ of the Lease, Landlord hereby consents, without payment of a fee, (i) to the collateral assignment of Tenant's interest in the Lease to HGI to secure Tenant's obligations to HGI under the Franchise Agreement, and (ii) to HGI's succeeding to Tenant's interest in the Lease as a result of HGI's exercise of remedies under such collateral assignment, and Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in such event, but shall inure to the benefit of HGI. If HGI takes possession of the Premises and confirms to Landlord that HGI has assumed the Lease as tenant thereunder, Landlord will recognize HGI as tenant under the Lease. Landlord agrees that in such event HGI may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Landlord and that, upon that assignment, HGI will have no further liability or obligation under

the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the Premises as a Mellow Mushroom® pizza restaurant.

2. Use of Premises. Without limitation of uses permitted under the Lease, but in expansion thereof, the Premises may be used for the purpose of conducting the business of a restaurant selling, *inter alia*, pizza, sandwiches and salads with beer, wine, and liquor sales for on-site consumption, with takeout service.

3. Compliance of Premises With Applicable Law; Parking. Landlord represents and warrants that as of the date hereof the Premises are in compliance with all applicable law, including without limitation parking sufficient to comply with the use of the Premises as provided in paragraph 2 above. Tenant shall have the right to use parking spaces for its guests, invitees and employees in an amount at least sufficient to comply with applicable zoning and other laws. The use of the parking spaces is provided by Landlord to Tenant without additional charge.

4. Notice and Cure Rights to HGI. Prior to exercising any remedies under the Lease (except in the event of imminent danger to the Premises), Landlord shall give HGI written notice of any default thereunder by Tenant, and commencing upon receipt thereof by HGI, HGI shall have the same length cure period as is given to Tenant under the Lease for such default, provided that in no event shall HGI have a cure period of less than (i) ten (10) days after HGI's receipt of such notice as to monetary defaults or (ii) thirty (30) days after HGI's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by HGI as if the same was tendered by Tenant, but HGI has no obligation to cure such default. The initial address for notices to HGI is as follows:

Home-Grown Industries of Georgia, Inc.
150 Great Southwest Parkway
Atlanta, Georgia 30336
Attention: Richard Brasch, Esq.

5. Non-disturbance from Mortgage Lenders. It is a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under the Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease beyond any applicable grace or cure period provided therein.

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSES b) AND c) BELOW WILL BE DEEMED DELETED

a) ☐ Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

b) ☐ A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under the Lease that the holder of

such encumbrance enter into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

c) ☐ A mortgage, deed of trust or deed to secure debt created under the Small Business Administration's ("SBA") loan program currently encumbers the Premises. The SBA loan's structure is such that the Landlord must lease the Premises to the Tenant (as franchisee) and the Tenant's obligations under the Lease are to be subordinate to the encumbrance. In order to preserve the non-disturbance provisions in this document, if HGI assumes the Lease HGI agrees that the rent payable under the Lease shall be paid directly by HGI to the Mortgagee upon the Landlord's default under the mortgage, deed of trust or deed to secure debt. After the Mortgagee notifies HGI in writing (HGI having assumed the Lease) that the rent under the Lease shall be paid to Mortgagee, HGI shall pay to Mortgagee (or in accordance with Mortgagee's directions) all rent and other sums then due, and thereafter to become due, to Landlord under the Lease to ensure that the SBA loan is kept current. HGI's assumption of the Lease shall be for the original term of the Franchise Agreement, although HGI may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the Tenant's obligations under the Lease and is reasonably acceptable to HGI as a franchisee, and, upon that assignment, HGI will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the Premises as a Mellow Mushroom® pizza restaurant.

6. Financing of Artwork by HGI and Security Interest in Tenant's Art. Any security interest and/or landlord's lien in Tenant's trade fixtures, artwork, "trade dress," equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to HGI in such items.

7. Approval of Tenant's Plans. Within one hundred twenty (120) days after the execution of the Lease, Tenant shall submit to Landlord for its approval final working drawings and specifications for **(a) the construction of improvements by Tenant in and about the Premises,** and **(b) signage** ("Tenant's Plans"), prepared by Tenant's architect and Tenant's sign company. Landlord shall have fifteen (15) days following Landlord's receipt of Tenant's Plans to notify Tenant whether Landlord approves or disapproves Tenant's Plans, which approval will not be unreasonably withheld or conditioned. If Landlord fails to respond within said fifteen (15) days, Tenant's Plans shall be deemed approved by Landlord. If Landlord disapproves of Tenant's Plans, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall revise Tenant's Plans in substantial accordance with Landlord's reasonable objections and re-submit them to Landlord for its review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted Tenant's Plans within fifteen (15) days after its receipt thereof. This process shall be repeated until Tenant's Plans have been finally approved by Landlord. Landlord and Tenant agree to work together in good faith to reach agreement on Tenant's Plans as soon as reasonably possible. Should Landlord fail to approve Tenant's Plans on or before _____, Tenant may terminate the Lease by written notice to Landlord, effective as of the date of delivery of written notice to Landlord thereof and any remaining security deposit shall be returned to Tenant, and any rentals paid in advance shall be prorated accordingly. Landlord hereby acknowledges that Tenant is contractually obligated to gain HGI's approval of the Tenant's Plans, and Landlord

hereby agrees to cooperate in good faith throughout the approval process to facilitate changes in Tenant's Plans desired by HGI, and to work diligently toward an agreement on said plans between HGI, Landlord and Tenant.

8. Tenant Approvals. Notwithstanding anything in the Lease to the contrary, if Tenant is unable to obtain licenses, building permits, signage permits, variances, subdivision approvals, special use permits and other governmental approvals necessary to construct and operate a Mellow Mushroom® pizza restaurant (all of the foregoing licenses, permits and approvals are hereinafter referred to as the "Tenant Approvals") within _____days after Landlord's approval of Tenant's Plans, Tenant may terminate the Lease by written notice to Landlord, effective as of the date of delivery of written notice to Landlord thereof and any remaining security deposit shall be returned to Tenant, and any rentals paid in advance shall be prorated accordingly.

9. Beer, Wine and Liquor License. Notwithstanding anything in the Lease to the contrary, if a license for beer, wine and liquor sales at the Premises has not been unconditionally issued to Tenant within _____ days after Landlord's approval of Tenant's Plans, Tenant may terminate the Lease by written notice to Landlord, effective as of the date of delivery of written notice to Landlord thereof and any remaining security deposit shall be returned to Tenant, and any rentals paid in advance shall be prorated accordingly.

10. Third Party Beneficiary. For so long as HGI holds a collateral assignment of the Lease, HGI is a third party beneficiary of the Lease.

11. Restricted Use. Landlord covenants that from and after the date hereof, Landlord shall not permit any space in the shopping center to be operated by any restaurants in competition with Mellow Mushroom® restaurants, including without limitation those having a business focused on serving pizza, pasta, sandwiches or Italian fare.

12. HGI Right to Enter. Upon the expiration or earlier termination of the Lease or the Franchise Agreement, HGI or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Mellow Mushroom® name or trademarks, service marks or other commercial symbols of HGI.

13. No Build Zone. Landlord shall not (a) construct any vertical building improvements, or (b) materially alter the grade, in the area between the Premises and _____ [identify right-of-way], as cross-hatched on Exhibit __ attached hereto and by this reference incorporated herein (the "No Build Zone"). Landlord and Tenant each hereby acknowledge and agree that the intention of the No Build Zone restriction contained in this paragraph is to allow for line-of-sight visibility of the Premises by the public traversing _____ [identify right-of-way].

14. Endcap Unit. {DELETE OR DISREGARD THIS SECTION 14 UNLESS PREMISES IS AN ENDCAP UNIT ON DATE OF LEASE} The Premises constitutes an "end-cap" unit, and Landlord covenants and agrees that throughout the term of the Lease, the Premises will remain an end-cap unit.

15. Enclosure of Outdoor Patio or Seating Area. Subject to the terms of this paragraph, Landlord consents and agrees that Tenant may, at Tenant's election, enclose any outdoor patio space which Tenant is permitted to use pursuant to this Lease. If Tenant elects to enclose such outdoor space, Tenant shall obtain, at Tenant's sole cost and expense, all necessary permits, approvals, and licenses to construct such improvements on such outdoor area, and with respect to any attachment of the enclosure to any building(s) and any permits needed for alteration to the Premises in order to provide support for and access to the proposed enclosure. Landlord hereby represents and covenants that no other leases of the property of which the Premises are a part contain or will contain any prohibitions on the enclosure permitted by this paragraph. Further, if Landlord is the declarant under any declaration or restrictions recorded against the property on which the Premises is located, and any consents or approvals for the enclosure are required under such declarations or restrictions, Landlord will provide such consent. If Tenant elects to enclose such outdoor space, Tenant shall submit to Landlord for its approval final working drawings and specifications for the enclosure ("Enclosure Plans"). Landlord shall have fifteen (15) days following Landlord's receipt of the Enclosure Plans to notify Tenant whether Landlord approves or disapproves the Enclosure Plans, which approval will not be unreasonably withheld or conditioned. If Landlord fails to respond within said fifteen (15) days, the Enclosure Plans shall be deemed approved by Landlord. If Landlord disapproves of the Enclosure Plans, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall revise the Enclosure Plans in substantial accordance with Landlord's reasonable objections and re-submit them to Landlord for its review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted the Enclosure Plans within fifteen (15) days after its receipt thereof. This process shall be repeated until the Enclosure Plans have been finally approved by Landlord. Landlord and Tenant agree to work together in good faith to reach agreement on the Enclosure Plans as quickly as reasonably possible. Landlord hereby acknowledges that Tenant is contractually obligated to gain HGI's approval of the Enclosure Plans, and Landlord hereby agrees to cooperate in good faith throughout the approval process to facilitate changes in the Enclosure Plans desired by HGI, and to work diligently toward an agreement on said plans between HGI, Landlord and Tenant. The rentals and additional rentals hereunder will not be adjusted as a result of enclosure of the outdoor seating area. All enclosure improvements will be property of Tenant, until expiration or earlier termination of the Lease, at which time the enclosure improvements will be property of the Landlord.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____	**TENANT**: _____
By: _____	By: _____
___	___
Name: _____	Name: _____
Title: _____	Title: _____
[CORPORATE SEAL]	[CORPORATE SEAL]

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given on _____, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by HOME-GROWN INDUSTRIES OF GEORGIA, INC. ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ ("Franchisee") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in Sections 21, 22, 23 and 24 of the Agreement.

Each of the undersigned consents and agrees that: (1) his, her, or its direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he, she, or it will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchisee or another person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including extensions) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his, her, or its undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he, she, or it may be entitled.

If we enforce this Guaranty in a judicial proceeding and prevail in that proceeding, we are entitled to reimbursement from each of the undersigned of our costs and expenses, including, but

not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred before, in preparation for, or in contemplation of the filing of any such proceeding. If we must engage legal counsel in connection with the undersigned's failure to comply with this Guaranty, the undersigned must reimburse us for any of the above-listed costs and expenses we incur, even if we do not commence a legal proceeding.

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

GUARANTORS:	**PERCENTAGE OF OWNERSHIP IN FRANCHISEE**
_____	__%
Name / Date	
_____	__%
Name / Date	

EXHIBIT C

OPERATIONS MANUAL TABLE OF CONTENTS

MELLOW MUSHROOM OPERATIONS MANUAL

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Hospitality and Salesmanship IOI	2	6
Host & Take Out	2	26
Host and To Go Trainer Certification Course	0	2
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Host Training	0	2
Human Resources	0	24
Icee Machine	3	3
Inventory Xpress	0	44
Kid's Menu - Recipes	0	6
Kitchen Equipment and Maintenance	9	47
Leadership - Area Manager Certification	0	15
Leadership **GM** Level	3	75
Manager - Back of House	6	32

Course Name	Content Videos	Content Pages
Manager - Booze	0	169
Manager - Front of House	3	35
Manager in Training (MIT)	10	160
Mellow Mushroom Bar Certification Course - Bartender edition	8	17
Mellow Mushroom Bar Certification Course - Management edition	3	13
Mellow Mushroom General Manager Certification Course	0	2
Mellow Mushroom Pizza Baker Certification Course (SPANISH)	0	1
Mellow Mushroom Pizza Baker Certification Course (updated 2023)	8	14
Munchies - Recipes	0	10
Munchies IOI	8	0
New Hire! - Welcome to Bar Training	0	9
New Hire! - Welcome to Hoagie Training	0	8
New Hire! - Welcome to Hosting	0	8
New Hire! - Welcome to Pizza	0	8
New Hire! - Welcome to Prep Training	0	8
New Hire! - Welcome to Salad	0	8
New Hire! - Welcome to Server Training	0	8
New Hire! Welcome to To Go Training	0	6
Off Premises Information and Execution	0	22
Online Ordering: Olo Ordering Platfonn	12	87
Manager Resources & Opening Training Materials & Laminates	0	249
PFG Training	10	14
Picard "Hot Rocks" Operations	2	6
Picard "Hot Rocks" Operations and Technical Information	1	20
Pizza - Recipes	0	10
Pizza Trainer Certification Course	0	2
Pizza Trainer Certification Course - Version 2 (Deck Oven Edition)	0	2
Prep Recipes A through C	12	16
Prep Recipes D through **P**	10	10
Prep Recipes Q through Z	15	15
Problem Resolution	0	10
Promo Code Redemptions	2	18
Protecting Yourself Against COVID-19 And Other Contagious Illnesses	0	4
Red Based Pies IOI	5	0
Responsible Alcohol Service Validation	0	0
Retail	5	81
Salad & Munchie Team Member Certification	3	7
Salad and Munchie Trainer Certification Course	0	2
Salads - Recipes	0	6

Course Name	Content Videos	Content Pages
Salads IOI	0	5
Server Team Member Certification Course	6	12
Server Trainer Certification Course	0	2
Service Procedures and Sidework	8	8
Shroom University Practical--Welcorne to Atlanta!	0	12
Slices	1	1
Social Media and User Review Sites	2	20
So You're Opening A Mellow	0	146
Specialty/No Base Pies IOI	6	0
Spud Puppies as a Side	0	3
Supply Chain	0	1
Text Club Marketing	1	5
Trust Wave Info	0	1
Welcome to Shroom University	0	5
Wine 101	4	6
TOTAL PAGES	287	1977

EXHIBIT D

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Website: www.dfpi.ca.gov
Email: ask.DFPI@dfpi.ca.gov

(for service of process)
Commissioner of Department of Financial Protection & Innovation

(state franchise administrator)
Department of Financial Protection & Innovation

Toll Free: 1 (866) 275-2677

Los Angeles
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento
651 Bannon Street, Suite 300
Sacramento, California 95811
(916) 576-4941

San Diego
1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 525-4233

San Francisco
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

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

NORTH DAKOTA

(for service of process)

Insurance Commissioner
North Dakota Insurance & Securities
Department
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-2910

(state agency)

North Dakota Insurance & Securities
Department
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

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

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT E

PRINCIPAL'S AGREEMENT

HOME-GROWN INDUSTRIES OF GEORGIA, INC.
PRINCIPAL'S AGREEMENT

This Principal's Agreement (the "Agreement") is made on _____, 20__, by and among **Home-Grown Industries of Georgia, Inc.**, a Georgia corporation ("HGI"), and the owners (direct or indirect), directors, officers, managers, and/or supervisory employees whose names and signatures appear below (collectively, the "Principals" or, individually, a "Principal").

Recitals

WHEREAS, HGI has entered into that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement") with _____ (the "Entity"); and

WHEREAS, HGI desires to set forth the respective liabilities and responsibilities of each Principal signing this Agreement.

NOW, THEREFORE, in consideration of HGI's entry into the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. The Recitals are incorporated into this Agreement by this reference.

2. Each of the undersigned Principals individually agrees that:

   (a) he or she will be personally bound by, and personally liable for his or her own breach of, each and every non-monetary obligation under the Franchise Agreement as if he or she were the Franchisee under the Franchise Agreement. Section 23.F., captioned "Costs and Attorneys' Fees," will apply to the undersigned to the extent the undersigned fails to comply with any obligation referenced above;

   (b) the liabilities and obligations arising under subsection (a) are each Principal's independent liabilities and obligations and are not contingent or conditioned upon HGI's pursuit of any remedies against the Entity or any other person under the Franchise Agreement; and

   (c) the liabilities and obligations arising under subsection (a) will not be diminished, relieved, or otherwise affected by any extension of time or credit, the acceptance of any partial payment or performance, or the compromise or release of any claims.

Each of the undersigned Principals waives all rights to payments and claims for reimbursement or subrogation that any of the undersigned might have against the Entity arising as a result of the undersigned's execution of and performance under this Agreement.

3. This Agreement will terminate only upon the termination or expiration of the noted obligations under the Franchise Agreement.

4. The provisions of Sections 21, 23, and 24 of the Franchise Agreement, relating to enforcement and similar matters, are incorporated into this Agreement by this reference and will fully apply to each Principal's obligations and liabilities.

5. Each of the undersigned Principals represents that he or she owns the percentage interest or holds the position in the Entity, or in an owner of the Entity, shown opposite his or her signature below.

6. Each Principal represents that the signatures of all Principals (as defined above) of the Entity appear below or in another original copy of this Agreement (except for those individuals who have signed a Guaranty and Assumption of Obligations attached to the Franchise Agreement) and that the Entity has no other owners (direct or indirect), directors, officers, managers, and/or supervisory employees.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____
Title:_____
Date:_____

[Additional Signature Page Follows]

OWNERS: **PERCENTAGE OWNERSHIP**

_____ /_____
[Name]

_____ /_____
[Signature / Date]

_____ /_____
[Name]

_____ /_____
[Signature / Date]

OFFICERS: **POSITION**

_____ /_____
[Name]

_____ /_____
[Signature / Date]

_____ /_____
[Name]

_____ /_____
[Signature / Date]

DIRECTORS:

_____
[Name]

_____
[Signature / Date]

_____
[Name]

_____
[Signature / Date]

OTHER: **POSITION**

_____ /_____
[Name]

_____ /_____
[Signature / Date]

_____ /_____
[Name]

_____ /_____
[Signature / Date]

EXHIBIT F

LIST OF FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM

LIST OF FRANCHISEES AS OF 9/30/2024

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
ALABAMA - 13						
AUBURN, AL	128 North College Street	Auburn	AL	36830-4706	(334)-887-6356	Adam Nemeroff
BIRMINGHAM, AL	1200 20th Street South Suite 100	Birmingham	AL	35205-3859	(205)212-9420	Andy Croy
HOOVER, AL	920 Inverness Corners	Birmingham	AL	35242-3785	(205)981-9914	Andy Croy
DAPHNE, AL	29698 Frederick Blvd.	Daphne	AL	36526-9578	(251)621-3911	James Allen
DECATUR, AL	202 East Moulton St.	Decatur	AL	36330-1389	(334) 308-1711	Ryan Helsley
ENTERPRISE, AL	1110 Boll Weevil Circle	Enterprise	AL	36330-1389	(334)308-1711	James Allen
FOLEY, AL	2303 South McKenzie Street	Foley	AL	36535-3403	(251)970-1414	James Allen
HUNTSVILLE , AL *SOUTHSIDE STORE # 2*	2230 Cecil Ashburn Drive	Huntsville	AL	35802	(256)883-0232	Mark League
HUNTSVILLE, AL	470 Providence Main Street	Huntsville	AL	35806-4840	(256)864-2727	Mark League
MOBILE, AL	5660 Old Shell Road	Mobile	Al	36608-3041	(251)380-1500	Kay Nunnery
ANNISTON, AL	33 Industrial Drive Extension	Oxford	AL	36203-8058	(256)835-1444	Terry Phillis
PIKE ROAD, AL	9959 Vaughn Road	Pike Road	AL	36064	(334) 593-7070	Andy Croy
TUSCALOOSA, AL	557 20th Avenue	Tuscaloosa	AL	35401	(205) 710-2187	Andy Croy
ARIZONA - 4						
MESA, AZ	1661 South Stapley Drive	Mesa	AZ	85204	(480) 892-1399	Jay Beskind
PHOENIX, AZ	2490 West Happy Valley Road	Phoenix	AZ	35035-3500	(623) 580-1111	Jay Beskind
PHOENIX3/CITYNORTH, AZ	5350 East High Street	Phoenix	AZ	85054	(480) 889-0999	Jay Beskind
TEMPE, AZ	740 South Mill Avenue Suite #D100	Tempe	AZ	85821	(480) 967-6355	Jay Beskind
ARKANSAS - 1						
FAYETTEVILLE, AR	1260 East Augustine Lane	Fayetteville	AR	72703-4943	(479)521-1001	Kevin Kestner

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
FLORIDA - 23						
BRANDON, FL	10959 Causeway Blvd.	Brandon	FL	33511-1997	(813)685-1122	Jesse McPherson
CAPE CORAL, FL	53 NE Pine Island Road	Cape Coral	FL	33909	(239) 539-2099	Chris Scuderi
CLEARWATER, FL	2630 Gulf to Bay Blvd.	Clearwater	FL	33579	(727)723-2000	Jesse McPherson
ESTERO, FL	10950 Eagle Village Dr., St. 305C	Estero	FL	33913	(239) 599-2616	Lisa Bella
FLEMING ISLAND, FL	1800 Town Center Parkway	Fleming Island	FL	32003-6312	(904)541-1999	John Valentino
FORT MYERS, FL	12451 Brookshire Lakes Blvd., #900	Fort Myers	FL	33966	(239) 215-0500	Derrick Lipscomb
AVONDALE, FL	3611 St. Johns Ave.	Jacksonville	FL	32205	(904)388-0200	John Valentino
JACKSONVILLE, FL	9734 Deer Lake Court Suite 1	Jacksonville	FL	32246-4469	(904)997-1955	John Valentino
JACKSONVILLE, FL (RIVER CITY)	Max Leggett Pkwy	Jacksonville	FL	32218	(904) 751-4200	John Valentino
JACKSONVILLE BEACH, FL	1018-2 3rd Street North	Jacksonville Beach	FL	32250-7383	(904)241-5600	John Valentino
LAKELAND, FL	3555 Lakeland Highlands Road	Lakenland	FL	33803	(863) 825-6000	Jim Livingston
WESLEY CHAPEL, FL	25662 Sierra Center Blvd.	Lutz	FL	33559	(813) 948-7337	Jesse McPherson
MT. DORA, FL	18221 US Hwy. 441	Mt. Dora	FL	32757	(352)735-8257	Chuck Votey
OCALA, FL	2 W. Fort King Street	Ocala	FL	34471	(352) 421-5098	Brad Harper
ORLANDO, FL	11680 East Colonial Drive	Orlando	FL	32817-4607	(407)384-4455	Chuck Votey
ORLANDO SOUTH, FL	10725 International Drive	Orlando	FL	32821	(407)351-9670	Chuck Votey
PENSACOLA, FL	5175 Bayou Blvd.	Pensacola	FL	32503-2101	(850)475-7575	Jim Livingston
SANFORD, FL	1831 Rinehart Road	Sanford	FL	32771	(407) 321-4827	Jill Brown
SARASOTA, FL	6727 S. Tamiami Trail	Sarasota	FL	34231	(941) 388-7504	Karen Atwood
ST. AUGUSTINE, FL	410 Anastasia Blvd	St. Augustine	FL	32084	(904) 826-4040	Matt Strickland
ST. AUGUSTINE (MURABELLA), FL 2	5330 State Road 16	St. Augustine	FL	32092	(904) 788-7900	Matt Strickland

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
JACKSONVILLE SOUTH, FL	265 Durbin Pavilion Drive	St. Johns	FL	32259	(904) 439-7575	Matt Strickland
WINTER PARK, FL	2015 Aloma Avenue	Winter Park	FL	32792-3319	(407)657-7755	Chuck Votey
GEORGIA - 44						
ACWORTH, GA	6121 Cedarcrest Rd. N	Acworth	GA	30101	(678)402-6009	Todd Rakestraw
ALBANY, GA	2825 Nottingham Way	Albany	GA	31707-1284	(229)888-4646	Lisa Lewis
MEDLOCK BRIDGE, GA	6000 Medlock Bridge Road	Alpharetta	GA	30022-8172	(770)813-0818	Michel Panos
WINDWARD, GA	3070 Windward Parkway	Alpharetta	GA	30005-8772	(678)566-7888	Jill Johnson
BROOKHAVEN, GA	4058 Peachtree Road NE	Atlanta	GA	30319-3019	(404)266-1661	Jim Livingston
BUCKHEAD, GA	1770 Peachtree Street NW	Atlanta	GA	30309-2304	(404)687-4766	Jim Livingston
DOWNTOWN ATL, GA	400 West Peachtree Street	Atlanta	GA	30308-3505	(404)577-1001	Michel Panos
EMORY, GA	1679 LaVista Road NE	Atlanta	GA	30329-3414	(404)325-0330	Marc Weinstein
MIDTOWN, GA	931 Monroe Drive NE	Atlanta	GA	30308-1717	(404)874-2291	Ferdinando Milo
AUGUSTA, GA	1102 Broad Street	Augusta	GA	30901	(706) 828-5578	Shawn Ledford
CARTERSVILLE, GA	28 South Wall Street	Cartersville	GA	30120-3334	(770)606-0330	Tyson Dube
COLLEGE PARK, GA	1477 Virginia Avenue	College	GA	30337	(404) 748-1844	Alex Nardone
COLUMBUS, GA	6100 Veterans Parkway Suite 14	Columbus	GA	31909-3538	(706)322-4602	Ross White
CONYERS, GA	1880 Highway 20	Conyers	GA	30013-2046	(770)761-4500	Keith Marrett
CUMMING, GA	410 Peachtree Parkway	Cumming	GA	30041	(770) 888-8885	Charlie & Kelly Wilson
DAWSONVILLE, GA	229 Blue Ridge Parkway	Dawsonville	GA	30534	(706) 600-7777	Jim Livingston
DECATUR, GA	340 W. Ponce de Leon Ave.	Decatur	GA	30030	(404) 748-9612	Tom Hart
DUNWOODY, GA	5575 Chamblee-Dunwoody Road	Dunwoody	GA	30338-4150	(770)396-1696	Jim Livingston
LAKE OCONEE, GA	105 Harmony Crossing Suite 1	Eatonton	GA	31204-9530	(706)484-2074	David Hudson
EVANS, GA	4348 Washington Road	Evans	GA	30809-3938	(706)364-6756	Shawn Ledford
GAINESVILLE, GA	700 Green Street NE	Gainesville	GA	30501-3322	(770)531-1500	John Bush

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
HIRAM, GA	5157 Jimmy Lee Smith Pkwy Suite 117	Hiram	GA	30141-2786	(770)222-1943	Robert & Courtney Carpenter
KENNESAW, GA	1133 Chastain Road Suite 640	Kennesaw	GA	30144-5500	(770)426-9900	John Sherrer
MACON, GA	5425 Bowman Road	Macon	GA	31210	(478)254-6789	Bo Chambliss
MARIETTA, GA (WEST COBB)	3805 Dallas Hwy. SW	Marietta	GA	30064	(470) 632-0999	Victor Miltiades
MARIETTA, GA (JOHNSON FERRY)	1205 Johnson Ferry Road, St. 101	Marietta	GA	30068	(770) 809-0844	Victor Miltiades
POWERS FERRY, GA	2000 Powers Ferry Road Suite G-3	Marietta	GA	30067-9478	(770)933-8584	Michel Panos
SHALLOWFORD, GA	2421 Shallowford Road	Marietta	GA	30066-2076	(770)516-1500	Matt Fryer
PEACHTREE CITY, GA	275 Highway 74 North	Peachtree City	GA	30269-1492	(770)632-6018	Brandon Blake
POOLER, GA	409 Pooler Pkwy	Pooler	GA	31322	(912) 330-7133	Bo Chambliss
ROME, GA	238 Broad Street	Rome	GA	31061	(706) 234-9000	Truman Webb
ROSWELL, GA	935 Woodstock Road	Roswell	GA	30075-2364	(770)645-8383	Lonny Weakland
SANDY SPRINGS, GA	6100 Roswell Road	Sandy Springs	GA	30328-3904	(404)252-5560	Michel Panos
SAVANNAH, GA	11 West Liberty Street	Savannah	GA	31404-3905	(912)298-7211	John Boyce
SNELLVILLE, GA	2000 Main Street East Hwy 78	Snellville	GA	30078-3444	(770)736-9396	Barbara Rosselle
ST. SIMONS, GA	440 Kings Way	St. Simons	GA	31522	(912)291-9108	Bo Chambliss
STATESBORO, GA	1098 Bermuda Run Suite 1	Statesboro	GA	30458-0878	(912)681-4743	Bo Chambliss
EAGLES LANDING, GA	1410 Hudson Bridge Road	Stockbridge	GA	30281-5018	(678)565-3966	Michel Panos
SUWANEE, GA	320 Town Center Avenue Suite 1	Suwanee	GA	30024	(678)714-2233	Jill Johnson
NORTHLAKE, GA	4135 LaVista Road Suite 630	Tucker	GA	30084-5326	(770)491-6112	Michel Panos
VALDOSTA, GA	1526 Baytree Rd	Valdosta	GA	31632	(229)333-1891	Bo Chambliss
VININGS, GA	2950 New Paces Ferry Road	Vinings	GA	30339-6226	(770)435-5949	Michel Panos
WARNER ROBINS, GA	710 Lake Joy Road	Warner Robins	GA	31088-6724	(478)287-6355	Brian Anderson
WOODSTOCK, GA	2370 Towne Lake Parkway Suite 140	Woodstock	GA	30189-8227	(770)591-3331	Russ Jervey

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
INDIANA - 1						
CARMEL, IN	2340 East 116th Street	Carmel	IN	46032-3217	(317)846-2400	Charles Braswell
IOWA - 0						
KENTUCKY - 5						
BOWLING GREEN, KY	1035 Chestnut Street	Bowling Green	KY	42101	(270)393-1800	Bob Holderfield
OWENSBORO, KY	101 West Second Street	Owensboro	KY	42303	(270) 684-7800	Bob Holderfield
PADUCAH, KY	3121 Broadway, Suite 104	Paducah	KY	42001	(270) 216-4050	Brandon Strenge
SOMERSET, KY	2520 Monticellow Street	Somerset	KY	42503	(606) 416-5146	Hunt Prather
WILDER, KY	1014 Town Drive	Wilder	KY	41076	(859) 441-6600	Sean Bail
LOUISIANA - 0						
MISSOURI - 4						
BRANSON, MO	100 Branson Landing Blvd.	Branson	MO	65616	(417) 320-5082	Robert McManus
CHESTERFIELD, MO	15525 Olive Blvd.	Chesterfield	MO	63017	(636) 788-9376	John Burke
COTTLEVILLE, MO	4716 Mid Rivers Mall Drive	Cottleville	MO	63376	(636) 477-6001	Ian Hilton
ST. LOUIS, MO	3811 S. Lindbergh Blvd.	St. Louis	MO	63127	(314) 473-1135	John Burke
NORTH CAROLINA - 20						
ASHEVILLE, NC	50 Broadway Avenue	Asheville	NC	28801-2916	(828)236-9800	Carl McCloy
BLOWING ROCK, NC	946 Main Street	Blowing Rock	NC	28605	(828)295-3399	Chuck Luddeke
BOONE, NC	805 West King Street	Boone	NC	28607	(828)865-1515	Chuck Luddeke
BURLINGTON, NC	767 Huffman Mill Road	Burlington	NC	27215-5124	(336)584-1104	Chad Porterfield
CARY, NC	4300 NW Cary Parkway	Cary	NC	27513	(919)463-7779	Will Greczyn
BALLANTYNE	14835 Ballantyne Village Way	Charlotte	NC	28277	(704)369-5300	Bob Greczyn

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
CHARLOTTE, NC (DOWNTOWN)	255 W. Martin Luther King Jr. Blvd.	Charlotte	NC	28202	(704) 371-4725	Bob Greczyn
CLAYTON, NC (*)	NC Hwy 42 East	Clayton	NC	27527	Coming Soon	Vishesh Panjwani
DURHAM, NC	410 Blackwell Street Suite 100	Durham	NC	27701-3986	(919)680-8500	Casey Fox
FAYETTEVILLE, NC	301 N. McPherson Church Rd	Fayetteville	NC	28303	(910)779-2442	Bob Greczyn
GREENSBORO, NC	609 South Elm Street	Greensboro	NC	27406-1327	(336)235-2840	Jim Waters
GREENVILLE, NC	2020 Charles Ave	Greenville	NC	27858	(252)565-8220	Bob Greczyn
HICKORY, NC	1185 Lenoir Rhyne Blvd. SE	Hickory	NC	28602	(828)322-8491	Leslie Knapp
HOLLY SPRINGS, NC	100 Collins Crossing Road, St. 101	Holly Springs	NC	27540	(919) 346-1100	Vishesh Panjwani
BRIER CREEK, NC	Brier Creek Parkway	Raleigh	NC	27617	(984) 888-0513	Vishesh Panjwani
RALEIGH, NC	601 West Peace Street	Raleigh	NC	27605	(919)832-3499	Casey Fox
WAKE FOREST, NC	2125 South Main Street	Wake Forest	NC	27587-1637	(919)556-8884	Casey Fox
WILMINGTON, NC	4311 Oleander Drive	Wilmington	NC	28403-5007	(910)452-3773	Robert Ray
WILMINGTON, NC (DOWNTOWN)	208 N. Water Street	Wilmington	NC	28401	(910) 769-6688	Robert Ray
WINSTON-SALEM, NC	314 West 4th Street	Winston-Salem	NC	27101	(336)245-2820	Jim Waters
WRIGHTSVILLLE BEACH, NC	224 Causeway Drive	Wrightsville Beach	NC	28480	(910)679-4645	Robert Ray
OHIO - 3						
ROCKY RIVER, OH	1933 Detroit Road	Cleveland	OH	44116	(440)356-7171	Ryan Easthem
NEW ALBANY, OH	260 Market Street, Suite A	New Albany	OH	43054	(614)245-4234	Jon Zachrich
WEST CHESTER, OH	9238 Floer Drive	West Chester	OH	45069	(513)260-0888	Sean Bail
SOUTH CAROLINA - 14						
AIKEN, SC	151 Bee Lane	Aiken	SC	29801	(803)474-8454	Shawn & Katy Ledford
AVONDALE, SC	1919 Magnolia Road	Avondale	SC	29407	(843)747-4992	Walt Harris

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
BLUFFTON, SC	872 Fording Island Road	Bluffton	SC	29910	(843)706-0800	John & Kim Boyce
CLEMSON, SC	1007 Tiger Blvd.	Clemson	SC	29631	(864) 718-5062	Kirby Pate
COLUMBIA, SC	1009 Gervais Street	Columbia	SC	29201-3129	(803)933-9201	John Wallace
FLORENCE, SC	120 Dunbarton Drive	Florence	SC	29501	(843) 407-1442	Matt Duke
GREENVILLE, SC	1 Augusta Street Suite 101	Greenville	SC	29601-3539	(864)233-9020	John Wallace
HILTON HEAD ISLAND, SC	33 Office Park Road Suite A-146	Hilton Head Island	SC	22928-4612	(843)686-2474	John Boyce
LEXINGTON, SC	5364 Sunset Blvd.	Lexington	SC	29702	(859)281-6111	John Wallace
MOUNT PLEASANT, SC	3110 Hwy 17 North	Mount Pleasant	SC	29466-6925	(843)881-4743	Walt Harris
MYRTLE BEACH, SC	1571 21st Avenue North	Myrtle Beach	SC	29577-7441	(843)444-1122	Matt Duke
NORTH MYRTLE BEACH, SC	1101 Highway 17 N	Myrtle Beach	SC	29582	(843)273-0595	Matt Duke
NORTH CHARLESTON, SC	4855 Target Outlet Blvd.	N. Charleston	SC	29418	(843) 790-9000	Walt Harris
SOUTH MYRTLE BEACH, SC	3280 US Hwy. 17	S. Murrells Inlet	SC	29576	(843) 651-0909	Matt Duke
TENNESSEE - 10						
CHATTANOOGA 2, TN	2318 Lifestyle Way	Chattanooga	TN	37421	(423) 468-3737	Jason Jones
CHATTANOOGA, TN	205 Broad Street	Chattanooga	TN	37402	(423) 266-5564	Jason Jones
FARRAGUT, TN	635 N. Campbell Station Road	Farragut	TN	37922-1628	(865)777-6768	Jim Livingston
FRANKLIN, TN	317 Main Street Suite 100	Franklin	TN	37064-2680	(615)628-0181	Mark Clark
GATLINBURG, TN	903 Parkway	Gatlinburg	TN	37738	(865) 277-0600	Darbey Campbell Robert McManus
GERMANTOWN, TN	3075 Village Shops Drive #25	Germantown	TN	38138-7901	(901) 907-0243	Steven & Julie Meek
KNOXVILLE, TN	2109 Cumberland Avenue	Knoxville	TN	37916-2809	(865) 687-4766	Jim Livingston
NASHVILLE (DOWNTOWN), TN	423 Broadway	Nashville	TN	37203	(615) 454-4990	Mark Clark

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
PIGEON FORGE, TN	2485 Parkway	Pigeon Forge	TN	37863	(865) 286-2229	Robert McManus
PIGEON FORGE "ISLAND", TN	250 Island Drive, Suite 1011	Pigeon Forge	TN	37862	(865) 908-0388	Robert McManus
TEXAS - 6						
ARLINGTON, TX	200 North Center Street	Arlington	TX	76011	(817)274-7173	Kim Slawson
BEAUMONT, TX	4375 Dowlen Road	Beaumont	TX	77706	(409) 347-6469	Chris Olexa
DENTON, TX	217 E. Hickory Street	Denton	TX	76201	(940) 323-1100	Martha Jenson/Peter Nehen
FORT WORTH, TX	3455 Bluebonnet Circle	Fort Worth	TX	76109-2953	(817)207-9677	Kim Slawson
MCKINNEY, TX	218 E. Louisiana	McKinney	TX	75069	(972)548-5800	Martha Jenson/Peter Nehen
SAN ANTONIO, TX	115 N. Loop 1604 East	San Antonio	TX	78232	(210)370-9219	Monte Jenson/Peter Nehen
VIRGINIA - 13						
BLACKSBURG, VA	207 South Main Street	Blacksburg	VA	24060	(540)605-7074	Leslie Knapp
BRISTOL, VA	3500 Lee Highway	Bristol	VA	24202	(276)644-3663	Ryan Mathesius
CARYTOWN, VA	3012 West Cary St.	Carytown	VA	23221	(804)370-8210	Scott Douglas
CHANTILLY, VA	14335 Newbrook Drive	Chantilly	VA	20151	(703) 480-1295	Dawn Corbett
CHARLOTTESVILLE, VA	1321 West Main Street	Charlottesville	VA	22903	(434) 972-9366	Andrew Watson
FREDERICKSBURG, VA	605 William Street	Fredericksburg	VA	22401	(540) 997-3033	Jay Shah
SHORT PUMP, VA	12121 West Broad Street	Henrico	VA	23233	(804) 364-3111	Jay Shah
LYNCHBURG, VA	1220 Greenview Drive	Lynchburg	VA	24502	(434) 455-3297	Britt Campbell
MIDLOTHIAN, VA	1407 Hugenot Road	Midlothian	VA	23113	(804) 594-0100	Susan Fry
NEWPORT NEWS, VA	12090 Jefferson Ave. Suiteb 1500	Newport News	VA	23606	(757) 931-1700	Gray Nelson

LIST OF FRANCHISEES AS OF 9/30/2023

STORE NAME	Street	City	State	Zip Code	Phone Number	Owner(s) Name
ROANOKE, VA	2239 Franklin Road SW	Roanoke	VA	24014	(540) 512-9822	Patsy Wallace
VIENNA, VA (FRANCHISE AGREEMENT TERMINATED)	444 Maple Avenue	Vienna	VA	22180	Coming Soon	Jay Shah
VIRGINIA BEACH, VA	3501 Atlantic Ave., St. 118	Virginia Beach	VA	23451	(757) 916-8900	Jay Shah
WILLIAMSBURG, VA	110 S. Henry Street	Williamsburg	VA	23185	(757) 903-4762	Gray Nelson

(*) Franchise Agreement signed in FY 2024 and projected to open in FY 2026

LIST OF FRANCHISEES WHO LEFT THE SYSTEM
FROM OCTOBER 1, 2023 TO SEPTEMBER 30, 2024

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

Name	City	State	Phone Number
Melissa Eisele*	Fort Myers	FL	(404) 909-0318
Rob Johnson* *3 Outlets*	Tampa	FL	(813) 731-2210
Mark Stegall*	Savannah	GA	(404) 516-0997
Karen Knudsen *Ceased Ops*	Coralville	IA	(319) 625-2031
Todd Ammons *Ceased Ops*	Lake Charles	LA	(337) 493-7268
Josh Broome*	Charleston	SC	(843) 364-4771
Ryan Mathesius** *Reacquisition*	Bristol	TN	(276) 451-0876
Charlie Patten** *Signed, Never Opened*	Gainesville	VA	(571) 330-6645

LIST OF FRANCHISEES WHO LEFT THE SYSTEM
AFTER SEPTEMBER 30, 2024

Name	City	State	Phone Number
Andrew Watson*	Charlottesville	VA	(434) 242-4508

* *transfers*
** *remains in the system*

EXHIBIT G

FRANCHISEE REPRESENTATIONS

(This Franchisee Representations document will not be used if the franchise is to be operated in, or you are a resident of, California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISEE REPRESENTATIONS

DO NOT SIGN THIS FRANCHISEE REPRESENTATIONS IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

Do not sign this Franchisee Representations if you are a resident of Maryland or the business is to be operated in Maryland.

Important Instructions: Home-Grown Industries of Georgia, Inc. ("we," "us," or "our") and you are preparing to sign a Franchise Agreement for the construction, development, and operation of a Mellow Mushroom Restaurant and (if applicable) a Development Rights Rider for the potential construction, development, and operation of multiple Mellow Mushroom Restaurants. This document's purpose is to determine whether any statements or promises were made to you that we have not authorized, that do not appear in or are inconsistent with our franchise documents, and/or that might be untrue, inaccurate, or misleading. We also want to be sure that you understand certain terms of the agreements that you will sign and their ramifications. Please review each of the following statements carefully and do not sign this document if it contains anything you think might be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, we will act in reliance on the truth of what it says.

Initial the spaces after the statements to confirm your understanding and the accuracy of the statements.

Name of Prospective Franchisee: _____
(the "Franchisee")

Mellow Mushroom Pizza Restaurant: _____
(the "Restaurant")

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has independently investigated us; our affiliates; the Mellow Mushroom System (as that term is used in our Franchise Agreement); the risks, burdens, and nature of the business that Franchisee will conduct under the Franchise Agreement; the Restaurant; the Restaurant's proposed location; and the Restaurant's market area.

***Insert initials into the following blank to confirm this statement: ___**

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risk, and any success or failure will be substantially influenced by Franchisee's abilities and efforts, the viability of the Restaurant's location,

competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors.

***Insert initials into the following blank to confirm this statement: ___**

3. Each of the undersigned understands that we previously might have signed, and in the future we may sign, franchise agreements with provisions different from the provisions of the Restaurant's Franchise Agreement.

***Insert initials into the following blank to confirm this statement: ___**

4. If we unilaterally made material changes in Franchisee's final, ready-to-be-signed copies of the Franchise Agreement, Development Rights Rider (if applicable), and related documents (other than as a result of our negotiations with Franchisee), Franchisee has had possession of those documents for at least seven calendar days before signing them and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning those documents.

***Insert initials into the following blank to confirm this statement: ___**

5. Franchisee has received a franchise disclosure document ("FDD") as required by law at least 14 calendar days before signing the Preliminary Agreement or Franchise Agreement (and Development Rights Rider (if applicable)), or paying any consideration to us or our affiliate in connection with this franchise, and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning the FDD.

***Insert initials into the following blank to confirm this statement: ___**

6. Except as provided in Item 19 of our FDD, we and our affiliates and agents have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely, or possible income, sales volume, or profitability, expected or otherwise, of the Restaurant or any other business, except: (None, unless something is filled-in here or provided on additional sheets).

_____

_____

_____

***Insert initials into the following blank to confirm this statement: ___**

7. Each of the undersigned understands that:

7.1 Except as provided in Item 19 of our FDD, we do not authorize our affiliates, or our or their respective officers, directors, employees, or agents, to furnish

any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement or information concerning actual or potential income, sales volume, or profitability, either generally or of any Mellow Mushroom Pizza Restaurant.

***Insert initials into the following blank to confirm this statement: ___**

7.2 Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project, or predict the results of any particular Mellow Mushroom Pizza Restaurant.

***Insert initials into the following blank to confirm this statement: ___**

7.3 We have specifically instructed our affiliates, and our and their respective officers, directors, employees, and agents, that except as provided in Item 19 of our FDD, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give other information as to income, sales volume, or profitability, either generally or with respect to any particular Mellow Mushroom Pizza Restaurant.

***Insert initials into the following blank to confirm this statement: ___**

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, or other statement or information is made or given, the undersigned should not (and will not) rely on it.

***Insert initials into the following blank to confirm this statement: ___**

8. Before signing the Preliminary Agreement, Franchise Agreement, Development Rights Rider (if applicable), or any related documents, the undersigned Franchisee has had ample opportunity: (a) to discuss the particular agreement, any related document, and the business Franchisee will conduct with its, his, or her own attorneys, accountants, and real estate and other advisors; (b) to contact our existing franchisees; and (c) to investigate all statements and information made or given by us or our affiliates, or our or their respective officers, directors, employees, and agents, relating to the Mellow Mushroom System, the Restaurant, and any other subject.

***Insert initials into the following blank to confirm this statement: ___**

9. Each of the undersigned understands that the Franchise Agreement licenses certain rights for one, and only one, Restaurant, located only at the location now specified in the Franchise Agreement, and that, except as may be provided in the Franchise Agreement or Development Rights Rider, no "exclusive," "expansion," "protected," "non-encroachable," or other territorial rights, rights of first refusal, or rights of any other kind are granted or have been promised concerning the shopping center or other structure in which the Restaurant is located,

the contiguous or any other market area of the Restaurant, or any other existing or potential Mellow Mushroom Pizza Restaurant or geographic territory.

***Insert initials into the following blank to confirm this statement: ___**

10. Each of the undersigned understands that the Franchise Agreement (including any riders and exhibits), the Development Rights Rider (if applicable), and the Principal's Agreement (if used) constitute the entire agreement between the parties and supersede all prior and contemporaneous oral or written agreements, statements, representations (except for those in the FDD), or understandings of us, the undersigned, and Franchisee.

***Insert initials into the following blank to confirm this statement: ___**

11. Each of the undersigned understands that nothing stated or promised that is not specifically set forth in the Franchise Agreement, Development Rights Rider (if applicable), or FDD can be relied upon by the undersigned or Franchisee.

***Insert initials into the following blank to confirm this statement: ___**

12. Each of the undersigned has confirmed that no employee or agent of ours or our affiliates, or other person speaking on our behalf, has made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance we will give to Franchisee that is contrary to, or different from, the information contained in the FDD and the Franchise Agreement.

***Insert initials into the following blank to confirm this statement: ___**

13. Each of the undersigned understands that we and our affiliates may sell or transfer our assets, our trademarks, and/or the Mellow Mushroom System outright to a third party; may go public; may engage in a private placement of some or all of our and our affiliates' securities; may merge, acquire other companies, or be acquired by another company; and/or may undertake a refinancing, a recapitalization, a leveraged buy-out, or other economic or financial restructuring.

***Insert initials into the following blank to confirm this statement: ___**

14. The only state(s) in which each of the undersigned is a resident is (are): _____

_____.

***Insert initials into the following blank to confirm this statement: ___**

15. Each of the undersigned understands the importance of the Restaurant's location. The undersigned and Franchisee have had, or will have, ample opportunity and the means to investigate, review, and analyze independently the Restaurant's location, the shopping center or

other building in which it is contained, the market area and all other facts relevant to the selection of a site for a Mellow Mushroom Pizza Restaurant, and the lease or purchase documents for such location.

***Insert initials into the following blank to confirm this statement: ___**

16. Each of the undersigned understands that neither our acceptance or selection of any location, nor our negotiation or acceptance of any lease or purchase contract, implies or constitutes any warranty, representation, guarantee, prediction, or projection that the location will be profitable or successful or that the lease or purchase contract is on favorable terms. It often is the case that such documents contain very tough terms.

***Insert initials into the following blank to confirm this statement: ___**

17. Each of the undersigned understands that site selection is a difficult and risky proposition. We and our affiliates have not given (and will not give) any representation, warranty, promise, guaranty, prediction, projection, or other statement or information relied upon (or to be relied upon) by the undersigned or Franchisee regarding a location's prospects for success, nearby tenants or other attributes, or the form or contents of any lease or purchase contract. Franchisee will have any lease or purchase contract reviewed by its, his, or her own attorney and other advisors.

***Insert initials into the following blank to confirm this statement: ___**

18. Each of the undersigned understands that the estimated initial investment ranges disclosed in Item 7 of our FDD are for Mellow Mushroom Restaurants of a certain size, at certain types of locations, and having certain characteristics we consider to be fairly standard for Mellow Mushroom Restaurants. Franchisee's actual investment to develop its Mellow Mushroom Restaurant could be incrementally or materially higher than the estimated initial investment ranges disclosed in Item 7 if Franchisee chooses to develop a larger Restaurant or a Restaurant that otherwise is atypical when compared with standard Mellow Mushroom Restaurants.

***Insert initials into the following blank to confirm this statement: ___**

19. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or Franchisee. Each of them has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature enabling each of them to derive income that is satisfactory to them from other endeavors.

***Insert initials into the following blank to confirm this statement: ___**

20. There is no fiduciary or confidential relationship between us and the undersigned or between us and Franchisee. Each of the undersigned expects us to deal, and will act as if we are dealing, with it, him, or her at arm's length and in our own best interests.

***Insert initials into the following blank to confirm this statement: ___**

21. We have advised the undersigned and Franchisee to consult with their own advisors on the legal, financial, and other aspects of the Franchise Agreement, Development Rights Rider (if applicable), this document, the Restaurant, any lease, sublease, or purchase contract for the premises, and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

***Insert initials into the following blank to confirm this statement: ___**

22. Neither we or our affiliates, nor any of our or our affiliates' employees or agents, have provided the undersigned or Franchisee with services or advice that is legal, accounting, or other professional services or advice.

***Insert initials into the following blank to confirm this statement: ___**

23. We may communicate directly with Franchisee's trade suppliers at any time during the Restaurant's operation and obtain from them any sales and purchasing information relating to their dealings with Franchisee.

***Insert initials into the following blank to confirm this statement: ___**

24. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement and Development Rights Rider. The statements made in this document and the Franchise Agreement (and Development Rights Rider, if applicable) are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

***Insert initials into the following blank to confirm this statement: ___**

25. Each of the undersigned understands that, in the franchise relationship, we and Franchisee will be independent contractors. Nothing is intended to make either Franchisee or us (or any affiliate of ours) a general or special agent, joint venturer, partner, or employee of the other for any purpose. We (and our affiliates) will not exercise direct or indirect control over the Restaurant's personnel except to the extent any indirect control is related to our legitimate interest in protecting the quality of products, service, or the Mellow Mushroom brand. We (and our affiliates) will not share or codetermine the employment terms and conditions of the Restaurant's employees or affect matters relating to the employment relationship between Franchisee and the Restaurant's employees, such as employee selection, training, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of

grievances and complaints, and working conditions. We (and our affiliates) will not be the employer or joint employer of the Restaurant's employees.

***Insert initials into the following blank to confirm this statement: ___**

26. The President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations, and the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). We therefore require certain certifications that the parties with whom we deal are not directly or indirectly involved in terrorism. For that reason, the undersigned and Franchisee hereby certify that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with Franchisee, is: (a) a person or entity listed in the Annex to the Executive Order; (b) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism; (c) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (d) owned or controlled by terrorists or sponsors of terrorism. The undersigned and Franchisee further covenant that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with them, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

***Insert initials into the following blank to confirm this statement: ___**

FRANCHISEE:

[_____]

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

Owners/executives of the Franchisee legal entity must sign below individually

_____	_____
(Signature)	(Signature)
_____	_____
(Name Printed)	(Name Printed)
_____	_____
(Date)	(Date)

EXHIBIT H

SUCCESSOR FRANCHISE RIDER TO FRANCHISE AGREEMENT

SUCCESSOR FRANCHISE RIDER TO
HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISE AGREEMENT

1. **Background**. This Successor Franchise Rider to Franchise Agreement (the "**Rider**") is between Home-Grown Industries of Georgia, Inc. ("**Franchisor**") and _____ ("**Franchisee**"). This Rider will be deemed effective as of _____ (the "**Effective Date**").

Simultaneously with signing this Rider, Franchisor and Franchisee are signing a Franchise Agreement (the "**Successor Franchise Agreement**") to govern Franchisee's continued operation of its franchised Mellow Mushroom® Pizza Restaurant located at _____ _____ (the "**Restaurant**"). (All initial capitalized terms used but not defined in this Rider will have the meanings given to those terms in the Successor Franchise Agreement). Franchisor and Franchisee acknowledge that the Successor Franchise Agreement is the successor to the Franchise Agreement between Franchisor and Franchisee dated as of _____, _____ (the "**Expiring Franchise Agreement**"), under which Franchisee operated the Restaurant at the Restaurant Site during the initial franchise term. Franchisor and Franchisee are signing this Rider because the Expiring Franchise Agreement has expired or shortly will expire and Franchisor has agreed to grant Franchisee a successor franchise for the Restaurant by signing the Successor Franchise Agreement. This Rider modifies certain provisions of the Successor Franchise Agreement that do not apply to Franchisee's operation of the Restaurant during the successor-franchise term.

2. **Expiration of Expiring Franchise Agreement**. The Expiring Franchise Agreement's term expires (or expired) on the day before the Effective Date. Franchisee has no further rights under the Expiring Franchise Agreement following the Effective Date.

3. **Recitals**. The fourth Recital of the Successor Franchise Agreement is deleted in its entirety.

4. **Incorporation of Recitals and Acknowledgments**. The second paragraph of Section 1 of the Successor Franchise Agreement is hereby amended to read as follows:

> Franchisee represents to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Franchisee has made and all materials it has submitted to Franchisor in operating the Restaurant and acquiring the successor franchise are accurate and complete, and Franchisee has made no misrepresentations or material omissions in operating the Restaurant or acquiring the successor franchise.

5. **Grant of Successor Franchise**. Section 2 of the Successor Franchise Agreement is amended to read as follows:

> Subject to this Agreement's terms, Franchisor grants to Franchisee during this Agreement's term the right and license (the "Franchise") to continue to use the Mellow Mushroom System and Marks in operating a Mellow Mushroom Restaurant (the "Restaurant") at the address set forth in Exhibit "B" (the "Restaurant Site") and

within an exclusive territory equal to a radius of three (3) miles from the Restaurant Site's front entrance (the "Exclusive Territory"). Franchisee may use the Mellow Mushroom System and Marks solely in connection with operating the Restaurant according to this Agreement's terms and all instructions, rules, and procedures Franchisor prescribes from time to time. The Marks may be used solely in connection with the products and services Franchisor designates. Nothing contained in this Agreement authorizes Franchisee's use of the Mellow Mushroom System and/or Marks at any other location or for any other purpose.

6. **Term of Franchise**. (a) Section 3.A. of the Successor Franchise Agreement is amended to read as follows:

The term of this Agreement commences on _____ and expires on _____ (the "Term"). Franchisee agrees to operate the Restaurant in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 20.A. Franchisee has no right to acquire, and Franchisor has no obligation to grant, another successor franchise or otherwise to extend the Franchise when this Agreement expires. When this Agreement expires, Franchisee must cease operating the Restaurant.

Nevertheless, Franchisor has the right (but no obligation whatsoever) upon the expiration of this Agreement to offer Franchisee an additional successor franchise for a term Franchisor specifies. If Franchisor chooses to offer Franchisee an additional successor franchise, Franchisor may condition Franchisee's right to acquire that additional successor franchise on Franchisee's compliance with specified requirements, including, without limitation: (a) Franchisee's ability to maintain possession of the Restaurant Site for the expected term of the successor franchise; (b) Franchisee's willingness (regardless of cost) to remodel the Restaurant Site, add or replace improvements and operating assets, and otherwise modify the Restaurant Site as Franchisor requires to comply with standards and specifications then applicable for new Mellow Mushroom Restaurants; (c) Franchisee's signing the franchise agreement Franchisor then uses to grant franchises for Mellow Mushroom Restaurants (modified as necessary to reflect the fact that it is for a successor franchise and that Franchisee will have no further successor franchise rights), which may contain provisions that differ materially from any and all of those contained in this Agreement, including higher fees and a modified (or no) exclusive territory; and (d) Franchisee's paying Franchisor its then-standard successor-franchise fee. If Franchisor chooses to offer Franchisee an additional successor franchise (although not obligated to do so), it may revoke that offer for any reason before Franchisee signs the additional successor franchise agreement.

(b) Section 3.B. of the Successor Franchise Agreement is hereby deleted in its entirety.

7. **Initial Franchise Fee**. Section 4 of the Successor Franchise Agreement is amended to read as follows:

[DELETE INAPPLICABLE VERSION]

[Version 1—Successor Franchise Fee to be Charged]

Franchisee agrees to pay Franchisor a nonrecurring and nonrefundable successor franchise fee of _____ Dollars ($_____) (the "Successor Franchise Fee"), payable to and fully earned by Franchisor when Franchisee signs this Agreement. The Successor Franchise Fee is not in exchange for any particular products, services, or assistance but instead is solely in consideration of Franchisor's signing this Agreement.

[Version 2— Successor Franchise Fee to be Applied to Remodeling Costs]

Franchisee is not obligated to pay Franchisor any initial or successor-franchise fee. Franchisor has allowed Franchisee to use such monies to cover some of the costs of remodeling the Restaurant, which was a condition to Franchisee's right to continue operating the Franchise during the Term.

8. **Selection and Lease of Restaurant Site**. (a) Sections 6.A.(1) through 6.A.(5) of the Successor Franchise Agreement are hereby deleted in their entirety.

(b) Section 6.B. of the Successor Franchise Agreement is hereby amended to read as follows:

Franchisee must send Franchisor for its review and written acceptance, which Franchisor will not unreasonably withhold, both (i) the proposed terms (as they appear in, for example, a landlord letter of intent or lease abstract) of any renewal, amendment, or extension of the lease or sublease governing Franchisee's occupancy and lawful possession of the Restaurant's site (collectively, the "**Lease**") and (ii) the actual Lease, in each case after receipt from the landlord. Franchisor will have twenty (20) days after receiving the proposed Lease terms, and an additional twenty (20) days after receiving the actual Lease (these time periods will not overlap or run concurrently without Franchisor's prior written approval), to review and either accept or reject what Franchisee sends Franchisor. The Lease must continue to include the Rider and Special Stipulations substantially in the form attached to this Agreement as Exhibit C. Franchisee may not sign any Lease that Franchisor has not accepted in writing. If Franchisor does not accept the proposed Lease terms, or the actual Lease, in writing within the applicable twenty (20)-day period after receiving them from Franchisee, the Lease terms or the Lease, as applicable, will be deemed rejected. Franchisee must send Franchisor a true copy of the signed lease within ten (10) days after it is fully executed.

9. **Obligations of Franchisee to Open**. (a) Sections 7.A. and 7.B. of the Successor Franchise Agreement are hereby deleted in their entirety.

(b) Section 7.C. of the Successor Franchise Agreement is hereby amended to read as follows:

> (1) Franchisee must, at its own cost, employ a general contractor and others necessary to remodel, expand, or otherwise modify the Restaurant to comply with Franchisor's current requirements and specifications for Mellow Mushroom Restaurants and as Franchisor otherwise specifies in writing from time to time. Franchisee must hire the general contractor Franchisor approves to perform any necessary construction work at the Restaurant. If Franchisor does not recommend a general contractor, Franchisee must engage a third-party contractor; it may not act as its own contractor. Before Franchisee hires the general contractor, Franchisee must submit to Franchisor for its written acceptance the name of the proposed general contractor, the proposed contractor agreement, and such other information regarding the general contractor as Franchisor reasonably requires. Franchisee may not engage a general contractor whom, or sign a contractor agreement that, Franchisor has not accepted. If at any time Franchisor determines in its sole judgment that the general contractor is not performing its services according to this Agreement's requirements, then Franchisor may require Franchisee immediately to terminate its relationship with the general contractor and replace him or her with a different contractor accepted by Franchisor. Franchisor will not, by virtue of its acceptance or recommendation of the general contractor or otherwise, be responsible for delays in remodeling, expanding, or otherwise modifying the Restaurant or any loss or damage to Franchisee or any third party resulting from any remodeling, expansion, or other modification of the Restaurant.
>
> (2) Franchisor may access the Restaurant Site while work is in progress and require reasonable alterations to the Restaurant it deems necessary. Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on modifying the Restaurant, but it will be Franchisee's sole responsibility diligently to complete this work.
>
> (3) Franchisor may make a final inspection of the Restaurant after work is completed and may require corrections and modifications it deems necessary. Failure to promptly make any such corrections and modifications will be a breach, and may result in termination, of this Agreement.
>
> (4) In addition, if Franchisee's Restaurant is at any time to be altered or remodeled, if artwork is to be modified or added, if additional decorations, fixtures, furniture, or equipment is to be installed or substituted, or if signs are to be erected or altered, Franchisor must approve all such work before it begins. If Franchisee begins such work without Franchisor's pre-approval, Franchisee is solely responsible for all costs associated with returning the Restaurant to its original state if Franchisor does not approve the work that was done. Any such remodeling will be subject to the

provisions in this Agreement. Although not obligated to do so, Franchisor may inspect such work at any time to determine whether the work is being done according to the plans and specifications it previously accepted.

10. **Opening**. Section 8.K. of the Successor Franchise Agreement is hereby deleted in its entirety.

11. **Training and Assistance**. Sections 9.A.(1) and 9.A.(3) of the Successor Franchise Agreement are hereby deleted in their entirety.

12. **Termination — By Franchisor**. Subparagraphs (b) and (c) of Section 20.A.(2) of the Successor Franchise Agreement are hereby deleted in their entirety.

13. **Franchisor's Right to Purchase Restaurant and/or Lease Restaurant Site**. Subparagraph (c) of Section 20.D.(1) of the Successor Franchise Agreement is amended to read as follows:

(c) expiration of this Agreement,

14. **Release**. As partial consideration for, and as a condition of, Franchisor's granting Franchisee the rights under the Successor Franchise Agreement, Franchisee and its affiliates, on behalf of themselves and their respective successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, and employees (all such parties referred to collectively as the "**Releasing Parties**" and, individually, as a "**Releasing Party**"), hereby forever release and discharge Franchisor and its current and former affiliated entities (including parent, subsidiary, and other related companies), and all of their respective officers, directors, owners, principals, partners, employees, agents, successors, executors, administrators, personal representatives, predecessors, and assigns (all such parties referred to collectively as the **"Released Parties"** and, individually, as a "Released Party"), from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, expenses, and agreements of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters referred to collectively for purposes of this Section 14 as "**Claims**" and, individually, as a "**Claim**"), that Franchisee and any other Releasing Party now have, ever had, or, but for this Section 14, hereafter would or could have against any Released Party (a) directly or indirectly arising from or related to the Released Parties' performance of or failure to perform their obligations under the Expiring Franchise Agreement, or (b) otherwise directly or indirectly arising from or related in any way to Franchisee's and the other Releasing Parties' relationship, from the beginning of time to the Effective Date, with any Released Party, excepting only any Claims arising exclusively from or related exclusively to the grant of the franchise under the Successor Franchise Agreement.

The released Claims include, but are not limited to, any Claim alleging violation of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules, or regulations. Franchisee acknowledges that the Releasing Parties may after the Effective Date discover facts different from, or in addition to, those facts currently known to them, or which they now believe to be true, with respect to the Claims released by this section. The Releasing Parties nevertheless agree that the release set forth in this section has been negotiated

and agreed on despite such acknowledgement and despite any federal or state statute or common law principle which may provide that a general release does not extend to claims which are not known to exist at the time of execution.

Franchisee, on behalf of itself and the other Releasing Parties, further covenants not to sue any Released Party on any Claim released by this paragraph and represents that it has not assigned any such Claim to any individual or entity that is not bound by this paragraph.

15. **Rider to Control**. Except as provided in this Rider, the Successor Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Successor Franchise Agreement and this Rider, this Rider's terms will control.

HOME-GROWN INDUSTRIES OF GEORGIA, INC.	**FRANCHISEE**
	_____
	[Name]
By:_____	
Title:_____	By:_____
Date:_____	Title:_____
	Date:_____

EXHIBIT I

STATE ADDENDA AND AGREEMENT RIDERS

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

ADDITIONAL DISCLOSURES FOR THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT of
HOME-GROWN INDUSTRIES OF GEORGIA, INC.

MARYLAND

1. The following language is added as a new last paragraph in Item 5 and to the end of footnote 1 in Item 7:

> Despite the payment provisions above, we will defer your payment of the initial franchise fee due under the Franchise Agreement and (if applicable) the development fee due under the Development Rights Rider until we have fulfilled all of our initial obligations to you under the Franchise Agreement and you have commenced doing business. You must pay us the full initial franchise fee and (if applicable) development fee on the day you open your Mellow Mushroom Restaurant for business.

2. The following language is added to the end of the "Summary" sections of Item 17(c), titled Requirements for franchisee to renew or extend, and Item 17(m), titled Conditions for franchisor approval of transfer:

> Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following language is added to the end of the "Summary" section of Item 17(h), titled "Cause" defined – non-curable defaults:

> Termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

4. The "Summary" section of Item 17(v), titled Choice of forum, is amended to read as follows:

> Litigation generally must be in courts closest to where we have our principal business address at time the action is commenced (it currently is in Atlanta, Georgia), except that, to the extent required by the Maryland Franchise Registration and Disclosure Law, you may bring an action in Maryland.

5. The "Summary" section of Item 17(w), titled Choice of forum, is amended to read as follows:

> Georgia law generally governs, except for federal law and claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The following paragraphs are added to the end of Item 17 of the Franchise Disclosure Document:

> You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.
>
> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

1. The following language is added as the last paragraph of Items 5 and 7:

> Despite the payment provisions above, we will defer your payment of the initial franchise fee due under the Franchise Agreement and (if applicable) the development fee due under the Development Rights Rider until we have fulfilled all of our initial obligations to you under the Franchise Agreement and you have commenced doing business. You must pay us the full initial franchise fee and (if applicable) development fee on the day you open your Mellow Mushroom Restaurant for business.

2. The "Summary" section of Item 17(h) of the Franchise Disclosure Document is amended by adding the following:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

This Rider is made and entered into by and between **HOME-GROWN INDUSTRIES OF GEORGIA, INC.**, a Georgia corporation d/b/a MELLOW MUSHROOM (the "Franchisor"), and _____ (the "Franchisee") as of the date signed by Franchisor and set forth opposite Franchisor's signature on this Rider.

1. **Background**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____ that has been signed concurrently with the signing of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) franchisee is a resident of Maryland, or (b) the Mellow Mushroom Restaurant that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **Acknowledgments**. Section 1 of the Franchise Agreement is amended to read as follows:

> The recitals set forth above are true and correct and incorporated by reference into the body of this Agreement. Franchisee understands and accepts that the terms, conditions, and covenants contained in this Agreement are reasonably necessary for Franchisor to maintain its high standards of quality and service (and the uniformity of those standards at each Mellow Mushroom Restaurant) and to protect and preserve the goodwill of the Marks. In all of their dealings with Franchisee, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity. All business dealings between Franchisee and these persons as a result of this Agreement are only between Franchisor and Franchisee.
>
> Franchisee represents to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Franchisee made and all materials it submitted to Franchisor in acquiring the franchise are accurate and complete, and Franchisee made no misrepresentations or material omissions in obtaining the franchise. Franchisor has agreed to grant Franchisee a franchise based on tangible and intangible qualities that Franchisee and its owners have led Franchisor to believe they have. Who Franchisee and its owners are is important and, together with all of Franchisee's representations, influenced Franchisor's decision to grant this franchise.
>
> All representations requiring Franchisee to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **Initial Franchise Fee**. Section 4 of the Franchise Agreement is amended by adding the following:

Despite the payment provisions above, Franchisor will defer payment of the initial franchise fee due under the Franchise Agreement and (if applicable) the development fee due under the Development Rights Rider until it has fulfilled all of its initial obligations to Franchisee under the Franchise Agreement and Franchisee has commenced doing business. Franchisee must pay Franchisor the initial franchise fee and (if applicable) the development fee on the day Franchisee opens its Mellow Mushroom Restaurant for business.

4. **Releases**. The following language is added to the end of Sections 3.B, 16.C(2)(f), and 20.D(4) of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, such a general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. **Governing Law**. The following language is added to the end of Section 23.I of the Franchise Agreement:

However, to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **Consent to Jurisdiction**. The following language is added to the end of Section 23.J of the Franchise Agreement:

Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **Limitation of Claims**. The following sentence is added to the end of Section 23.L of the Franchise Agreement:

, except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider as of the date set forth opposite Franchisor's signature below.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____

Print Name: Richard A. Brasch
Title: President and Chief Executive Officer
Date**:** _____, 20__

FRANCHISEE:
_____, a
_____

By: _____
Signature

Print Name: _____
Title: _____
Date: _____, 20__

RIDER TO THE HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISE AGREEMENT
FOR USE IN VIRGINIA

This Rider is made and entered into by and between **HOME-GROWN INDUSTRIES OF GEORGIA, INC.**, a Georgia corporation d/b/a MELLOW MUSHROOM (the "Franchisor"), and _____ (the "Franchisee") as of the date signed by Franchisor and set forth opposite Franchisor's signature on this Rider.

1. **Background**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ that has been signed concurrently with the signing of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because the Mellow Mushroom Restaurant that Franchisee will operate under the Franchise Agreement will be located in Virginia.

2. **Initial Franchise Fee**. Section 4 of the Franchise Agreement is amended by adding the following:

> Despite the payment provisions above, Franchisor will defer payment of the initial franchise fee due under the Franchise Agreement and (if applicable) the development fee due under the Development Rights Rider until it has fulfilled all of its initial obligations to Franchisee under the Franchise Agreement and Franchisee has commenced doing business. Franchisee must pay Franchisor the initial franchise fee and (if applicable) the development fee on the day Franchisee opens its Mellow Mushroom Restaurant for business.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider as of the date set forth opposite Franchisor's signature below.

HOME-GROWN INDUSTRIES OF GEORGIA, INC., a Georgia corporation

By:_____

Print Name: Richard A. Brasch
Title: President and Chief Executive Officer
Date**:** _____, 20__

FRANCHISEE:
_____, a
_____

By: _____
Signature

Print Name: _____
Title: _____
Date: _____, 20__

EXHIBIT J

DEVELOPMENT RIGHTS RIDER TO FRANCHISE AGREEMENT

DEVELOPMENT RIGHTS RIDER
TO HOME-GROWN INDUSTRIES OF GEORGIA, INC.
FRANCHISE AGREEMENT

1. **Background**. This Development Rights Rider (**the "Rider"**) is made between **HOME-GROWN INDUSTRIES OF GEORGIA, INC.** (**"we," "us," or "our"**) and _____ (**"you" or "your"**). This Rider is attached to, and intended to be a part of, the Franchise Agreement that we and you are signing concurrently with signing this Rider (**the "Franchise Agreement"**) for the development and operation of a Mellow Mushroom® Restaurant located at _____. We and you are signing this Rider because you want the right to develop additional Mellow Mushroom® Restaurants (besides the Restaurant covered by the Franchise Agreement) within the Area over a certain time period, and we are willing to grant you those development rights if you comply with this Rider.

2. **Grant of Development Rights**. Subject to your strict compliance with this Rider, we grant you the right to develop ____ (__) Mellow Mushroom® Restaurants (including the Mellow Mushroom® Restaurant covered by the Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this Rider (**the "Schedule"**), within the following geographic area (**the "Area"**): _____
_____
_____
_____.

If you (and, to the extent applicable and with our approval, your affiliated entities) are fully complying with all of your obligations under this Rider, and complying with all of your (and their) obligations under the Franchise Agreement and all other franchise agreements then in effect between us and you (and, to the extent applicable and with our approval, your affiliated entities) for the development and operation of Mellow Mushroom® Restaurants, then during this Rider's term only, we (and our affiliates) may not establish, or grant to others the right to establish, another Mellow Mushroom® Restaurant that has its physical premises located within the Area.

Except for this restaurant location restriction, this Rider imposes no restrictions on our (and our affiliates') activities within the Area during this Rider's term. You acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Area, including, without limitation, those we reserve in the Franchise Agreement. After this Rider expires or is terminated (regardless of the reason for termination), we and our affiliates have the right, without any restrictions whatsoever, (a) to establish, and grant to others the right to establish, Mellow Mushroom® Restaurants that have their physical premises located within the Area and (b) to continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within the Area.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS RIDER AND YOUR RIGHTS UNDER THIS RIDER ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE MAY ENFORCE THIS RIDER STRICTLY.

3. **Development Obligations**. To maintain your rights under this Rider, you (and/or affiliated entities we approve) must, by the dates specified in the Schedule, sign franchise agreements for and have open and operating the agreed-upon number of Mellow Mushroom® Restaurants in the Area. You (and/or the approved affiliated entity) will operate each Mellow Mushroom® Restaurant under a separate franchise agreement with us. The franchise agreement (and related documents, including Guaranty and Assumption of Obligations) you (and your owners) (or your affiliated entity and its owners) sign for each additional Mellow Mushroom® Restaurant will be our then-current form of franchise agreement (and related documents), any and all of the terms of which may differ materially from any and all of the terms contained in the Franchise Agreement (and related documents). However, despite any contrary provision contained in the newly-signed franchise agreements, your (and your affiliated entities') additional Mellow Mushroom® Restaurants must be open and operating by the dates specified in the Schedule. To retain your rights under this Rider, each of your (and your affiliated entities') Mellow Mushroom® Restaurants must operate continuously throughout this Rider's term in compliance with its franchise agreement.

4. **Subfranchising Rights**. This Rider does not give you any right to franchise, license, subfranchise, or sublicense others to develop and operate Mellow Mushroom® Restaurants. Only you (and/or affiliated entities we approve) may construct, develop, open, and operate Mellow Mushroom® Restaurants pursuant to this Rider. This Rider also does not give you (or your affiliated entities) any independent right to use the Mellow Mushroom® trademark or our other trademarks and commercial symbols. The right to use our trademarks and commercial symbols is granted only under a franchise agreement signed directly with us. This Rider only grants you potential development rights if you comply with its terms.

5. **Development Fees**. As consideration for the development rights we grant you in this Rider, you must pay us, when you sign this Rider, a total of _____ Dollars ($_____) (**the "Development Fee"**), which equals (a) the Fifty Thousand Dollar ($50,000) initial franchise fee due under the Franchise Agreement, plus (b) a deposit of Twenty-Five Thousand Dollars ($25,000) for each additional Mellow Mushroom® Restaurant you commit to construct and develop under the Schedule. Our initial franchise fee for each Mellow Mushroom® Restaurant you commit to develop under this Rider is Fifty Thousand Dollars ($50,000). The Development Fee is consideration for the rights we grant you in this Rider and for reserving the Area for you to the exclusion of others while you are in compliance, is fully earned by us when we and you sign this Rider, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this Rider for that reason.

While the Development Fee is not refundable under any circumstances, when you (or your approved affiliated entity) sign the franchise agreement for each additional Mellow Mushroom® Restaurant to be developed under this Rider, we will apply Twenty-Five Thousand Dollars ($25,000) of the Development Fee toward the initial franchise fee due for that Mellow Mushroom® Restaurant (leaving a balance due of Twenty-Five Thousand Dollars ($25,000)).

6. **Grant of Franchises**. You must send us a separate application for each Mellow Mushroom® Restaurant that you (or your affiliated entity) wish to develop under this Rider. You agree to give us all information and materials we request in order to assess each proposed site.

We will not select the site for you. In granting you the development rights under this Rider, we are relying on your knowledge of the real estate market in the Area and your ability to locate and access sites. We will not unreasonably withhold acceptance of any proposed site if the site meets our then-current site criteria. However, we have the absolute right not to accept any site not meeting those criteria. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) days after we receive all requested information and materials. If we accept a proposed site, you (or your affiliated entity) agree, within the time period we specify (but no later than the date specified in the Schedule), to sign a separate franchise agreement (and related documents) for the Mellow Mushroom® Restaurant and to pay us the remaining portion of the initial franchise fee due. If you (or your affiliated entity) do not do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. After you (and your owners) (or your affiliated entity and its owners) sign the franchise agreement (and related documents, including Guaranty and Assumption of Obligations), its terms and conditions will control the development and operation of the Mellow Mushroom® Restaurant (except that the required opening date is governed exclusively by this Rider).

We may delay your development of additional Mellow Mushroom® Restaurants under this Rider for the time period we deem best if we believe, when you submit your application, that you are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you (or your affiliated entity) developed and opened your most recent Mellow Mushroom® Restaurant, to develop, open and/or operate the additional Mellow Mushroom® Restaurants in substantial compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

7. **Term**. This Rider's term begins on the date we sign it and ends on the date when (a) the final Mellow Mushroom® Restaurant to be developed under the Schedule has opened (or, if earlier, must have opened) for business, or (b) this Rider otherwise is terminated, but in any event this Rider's term will end no later than <*insert date*>.

8. **Termination**. We may terminate this Rider and your right to develop Mellow Mushroom® Restaurants at any time, effective upon delivery to you of written notice of termination: (a) if you fail to satisfy either your development obligations under the Schedule or any other obligation under this Rider, which defaults you have no right to cure; or (b) if the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Mellow Mushroom® Restaurant, is terminated by us in compliance with its terms or by you (or your affiliated entity) for any (or no) reason; or (c) if we have delivered a formal written notice of default to you (or your affiliated entity) under the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Mellow Mushroom® Restaurant, whether or not you (or your affiliated entity) cure that default and whether or not we subsequently terminate the Franchise Agreement or the other franchise agreement. No portion of the Development Fee is refundable upon a termination of this Rider or under any other circumstances.

If we terminate this Rider because you fail to satisfy your development obligations under the Schedule, we will keep the Development Fee (which is not refundable) but otherwise will not seek to recover damages from you due solely to your failure to comply with the Schedule.

A termination of this Rider is not deemed to be the termination of any franchise rights (even though this Rider is attached to the Franchise Agreement) because this Rider grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. A termination of this Rider does not affect any franchise rights granted under any then-effective individual franchise agreements.

9. **Assignment**. Your development rights under this Rider are not assignable at all. This means that we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of the Franchise Agreement, a transfer of a controlling ownership interest in you, a transfer of this Rider separate and apart from the Franchise Agreement, or any other event attempting to assign the development rights. An assignment of only a non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your development rights) to the extent permitted by the terms and conditions of the Franchise Agreement.

10. **Rider to Control**. Except as provided in this Rider, the Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Franchise Agreement and this Rider, this Rider's terms will control.

HOME-GROWN INDUSTRIES OF GEORGIA, INC.	**FRANCHISEE**
By:_____	_____ [Name]
Title:_____	By:_____
Date:_____	Title:_____
	Date:_____

EXHIBIT A
TO DEVELOPMENT RIGHTS RIDER

You agree to develop and open ____ (__) new Mellow Mushroom® Restaurants in the Area, including the Restaurant that is the subject of the Franchise Agreement, according to the following Schedule:

Restaurant Number	Date by which Franchise Agreement Must be Signed	Date by which Restaurant Must be Opened	Cumulative Number of Restaurants to Be Open and Operating in the Area No Later than the Opening Dates (in previous column)
1	Concurrently with this Rider	__ months from date of Development Rights Rider (the "First Deadline")	1
2			2
3			3
4			4
5			5

*If you open the first Mellow Mushroom® Restaurant before the First Deadline, the deadlines for opening the subsequent Mellow Mushroom® Restaurants will remain the specified number of months after the First Deadline (rather than the specified number of months from the preceding Mellow Mushroom® Restaurant's actual opening date).

HOME-GROWN INDUSTRIES OF GEORGIA, INC.	**FRANCHISEE**
By:_____	_____ [Name]
Title:_____	By:_____
Date:_____	Title:_____
	Date:_____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
Indiana	February 18, 2025, as amended September 29, 2025
Maryland	February 20, 2025, as amended September 29, 2025 (Exempt)
Michigan	February 14, 2025, as amended September 29, 2025
Virginia	March 4, 2025, as amended [pending], 2025

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

RECEIPT

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

If Home-Grown Industries of Georgia, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[Michigan requires that Home-Grown Industries of Georgia, Inc. give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If Home-Grown Industries of Georgia, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C., 20580 and the appropriate state agency identified in Exhibit D.

The Franchisor is Home-Grown Industries of Georgia, Inc. located at 150 Great Southwest Parkway, Atlanta, Georgia 30336. Its telephone number is (404) 505-2806.

The franchise sellers for this offering are Richard Brasch, Jamie Cecil, Sandy Howard, Peter Jurta, Kim Bolinger, and Emily Duvoisin, all of whom can be reached at 150 Great Southwest Parkway, Atlanta, Georgia 30336, (404) 505-2806, and _____ *{Complete if applicable}*.

Issuance Date: February 14, 2025, as amended September 29, 2025

Home-Grown Industries of Georgia, Inc. authorizes the respective state agents identified on Exhibit D to receive service of process for us in the particular states. I received a disclosure document from Home-Grown Industries of Georgia, Inc. dated as of February 14, 2025, as amended September 29, 2025, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. Operations Manual Table of Contents
D. List of State Agencies/Agents for Service of Process
E. Principal's Agreement
F. List of Franchisees and Franchisees Who Left the System
G. Franchisee Representations
H. Successor Franchise Rider to Franchise Agreement
I. State Addenda and Agreement Riders
J. Development Rights Rider to Franchise Agreement

Date	Prospective Franchisee [Print Name]
(Date, Sign, and Return to Us)	Prospective Franchisee [Signature]

You may return the signed Receipt by signing, dating, and mailing it to us at our address above, by faxing a copy of the signed and dated Receipt to us at (404) 924-2261, or by emailing a scanned copy of the signed and dated Receipt to sandy@mellowmushroom.com.

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Date	Prospective Franchisee [Print Name]
(Date, Sign, and Keep for Your Own Records)	Prospective Franchisee [Signature]