

Franchise Disclosure Document [FDD]



Smoke and Spice Group, Inc.
a Nevada corporation
3340 Mowry Avenue
Fremont, California 94538
Direct Line: (510) 713-1854
Paul@SmokingPigBBQ.net
www.SmokingPigBBQ.net

The franchise offered is for the operation of a barbecue restaurant that offers a variety of traditional southern-style smoked barbecue dishes made with fresh ingredients using proprietary recipes, spice rubs, dressings and sauces. This is a full-service restaurant that is dedicated to serving customers who seek slow-smoked barbecue meats, specialty dishes, combination meals, appetizers, stews, salads, beverages and desserts all at competitive prices available for consumption on the premises, carry-out or delivery under the name "Smoking Pig™ BBQ". The Initial Franchise Fee is \$25,000 with protected rights to operate in a specific area as defined by us. Additional franchises may be available for those franchisees who have bought at least one franchise, at a reduced fee of \$15,000 per franchise. The total estimated initial investment required to begin operation of a Smoking Pig™ BBQ ranges from \$457,550 to \$1,332,000 depending on a number of factors that are more fully discussed in Item 7. This includes the Initial Franchise Fee of \$25,000 (as discussed in Item 5) 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 the 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 any affiliate in connection with the proposed franchise sale. **Note; however, 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:

Paul Reddick, President
Smoke and Spice Group, Inc.
3340 Mowry Avenue
Fremont, California 94538
(510) 713-1854

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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.

We currently do not engage the services of franchise brokers.

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

Issuance Date: January 24, 2019

STATE COVER PAGE

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

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

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

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

- 1) THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION OR LITIGATION ONLY IN CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH SMOKE AND SPICE GROUP, INC. IN CALIFORNIA THAN IN YOUR HOME STATE.
- 2) THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAWS. YOU MAY WANT TO COMPARE THESE LAWS.
- 3) YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS OWNED BY US OR OUR AFFILIATES OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE OWN AS FURTHER DESCRIBED UNDER ITEM 12 TITLED TERRITORY.
- 4) YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
- ~~5) SOME OF OUR TRADEMARKS ARE NOT FEDERALLY REGISTERED THEREFORE THEY DO NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS FEDERALLY REGISTERED TRADEMARKS. IF OUR RIGHT TO USE AND LICENSE ANY OF OUR TRADEMARKS IS CHALLENGED, YOU MAY HAVE TO USE AN ALTERNATIVE TRADEMARK THAT IS LICENSED TO YOU BY US. THIS MAY INCREASE YOUR EXPENSES.~~

~~6~~5) WE WERE FORMED ON APRIL 9, 2018 AND HAVE A BRIEF OPERATING HISTORY. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.

~~7~~6) WE DO NOT ENGAGE THE SERVICES OF FRANCHISE BROKERS.

~~8~~7) THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE OPPORTUNITY.

Effective Date: See next page for state effective dates.

IMPORTANT NOTE: Upon receipt of this Franchise Disclosure Document [FDD] and Franchise Agreement, you are required to sign and return the “Receipt Form” which is Exhibit J of the FDD

and return it to Smoke and Spice Group, Inc. by mail if this document has (i) been sent to you rather than personally delivered by a corporate representative or (ii) sent to you by email.

Issuance Date for Non-Registration States: January 24, 2019

The states listed below may require registration or filing of this Disclosure Document. If this offering is registered in any of these states, the effective date of the registration may differ from the date of issuance of this Disclosure Document as stated below. Some of these states may require different or additional disclosures or revisions to the agreement (see the State Addenda to this Disclosure Document for certain states).

Effective Dates for States Requiring Registration and Notice Filings:

California:

Connecticut: Not Registered

Florida: Not Registered

Hawaii: Not Registered

Illinois Not Registered

Indiana: Not Registered

Kentucky: Not Registered

Maryland: Not Registered

Michigan: Not Registered

Minnesota Not Registered

Nebraska: Not Registered

New York: Not Registered

North Carolina: Not Registered

North Dakota: Not Registered

Rhode Island: Not Registered

South Carolina: Not Registered

South Dakota: Not Registered

Texas: Not Registered

Utah: Not Registered

Virginia: Not Registered

Washington: Not Registered

Wisconsin: Not Registered

Franchise Disclosure Document [FDD]

Smoke and Spice Group, Inc.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

The Franchisor is Smoke and Spice Group, Inc., a Nevada corporation, doing business as “Smoking Pig BBQ.” For ease of reference, Smoke and Spice Group, Inc. will be referred to as “we,” “us,” “our,” “SSGI” or “Franchisor” in this Disclosure Document. We will refer to the person or entity who buys the franchise as “you,” “your,” and “Franchisee” throughout this Disclosure Document. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the franchise agreement also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

We are a Nevada corporation, incorporated on April 9, 2018 and our name is “Smoke and Spice Group, Inc.” and may also use the name “Smoking Pig BBQ.” Our principal business address is 3340 Mowry Avenue, Fremont, California 94538. We operate and sell franchises for the operation of a restaurant known as “Smoking Pig BBQ” (the “Franchise,” “Business,” “Restaurant,” “Franchised Restaurant” or “Franchised Business”). We offer a franchise agreement (“Franchise Agreement”) for the development and operation of a full-service barbeque restaurant that offers a variety of slow-smoked barbecue meats, specialty dishes, combination meals, appetizers, stews, salads, non-alcoholic beverages at a specific location, which is within a protected territory. This is the first time SSGI has offered franchises of the type described in this Disclosure Document and SSGI has never offered franchises in any other line of business. Our agents for service of process are disclosed in Exhibit B.

Our Predecessors and Affiliates:

We have no parents. We have no predecessors. There are three restaurant businesses that offer similar products and services to a Smoking Pig BBQ, which is our affiliate and is described below. The following is a list of Smoking Pig BBQ predecessors and affiliates including principal addresses and number of locations for each.

Our affiliate, Smoking Pig BBQ Company, LLC (“SPBC”), owned by Paul Reddick, is a California limited liability company that was formed on October 20, 2009. SPBC shares the same physical address as us and operates three restaurant businesses, owned by SPBC: Smoking Pig BBQ located at 1144 N. 4th Street, San Jose, California 95112 which began operations on August 4, 2011; Smoking Pig BBQ located at 3340 Mowry Avenue, Fremont, California 94538 which began operations on March 24, 2014; and Smoking Pig BBQ located at 530 Newhall #10, San Jose, California 95110 which began operations on September 18, 2016. All businesses owned and operated by SPBC are substantially similar to the franchise being offered by us. SPBC will be providing franchisees with all sauces, spice rubs and sausage products as an approved vendor. We and SPBC are independent entities and SPBC does not assume any of our legal or other obligations, or us of theirs. SPBC does not offer franchises.

Our Business and the Franchise Offered:

Smoking Pig[™] BBQ is a system developed for the establishment and operation of a full-service barbecue restaurant that is devoted to the preparation and sale of various southern-style smoked barbecue meats, specialty dishes, combination meals, signature side dishes, appetizers, stews and salads made from scratch and prepared to order using fresh ingredients, proprietary recipes, spice rubs, dressings and sauces. Our philosophy is centered on preparing and serving a wide variety of slow-smoked barbecue menu items and specialty dishes using high quality meats and ingredients all of which are affordably priced in a fun, casual and family-oriented environment. This business is a full-service barbecue restaurant that operates year-round and is typically located within free-standing structures and strip centers and can also be operated out of non-traditional locations like: hotels, airports, casinos, train stations, universities, stadiums, arenas, theme parks or military installations (all of which must be approved by us). Each Smoking Pig[™] BBQ Franchise will prepare all lunch and dinner menu items made-to-order using our

proprietary recipes, dressing and sauces for either dine-in, take-out or delivery that includes: appetizers (such as: chicken wings, nachos, stuffed potatoes, sliders, etc.), a variety of slow-smoked barbecue meats (such as: chicken, spare ribs, beef brisket, pork, sausage, etc.), specialty dishes (such as: Carolina-style pulled pork, pulled chicken, bacon-sausage burgers, etc.), custom combination meals (giving customers the ability to build their own meals), our signature cornbread and side dishes (such as: coleslaw, mashed potatoes, house-cut fries, barbecue beans, mac n' cheese, etc.), a build-your-own meal kids menu, a variety non-alcoholic beverages (such as: carbonated drinks, flavored teas and coffee), our signature desserts (such as puddings, cobblers and pies served by the slice or whole) and limited retail items for sale (such as: bottled dressings and sauces, hats shirts and novelty items) in addition to offering delivery and catering services and other food and beverage products or services approved by us. We may authorize the sale of additional products and services in the future such as: live music, beer and wine, a full-service bar serving alcoholic beverages, group fundraising events, promotional events and other food and beverage related products and services approved by us.

Competition includes local and national full-service, fast-casual and quick-serve style restaurants serving barbeque food as well as specialty restaurants or other food and beverage establishments operated by national chains, local chains, independent operators and to some extent with grocery stores that sell various prepared food products similar to what is found in a Smoking Pig BBQ restaurant. The market for the type of menu items offered by a Smoking Pig BBQ restaurant is developed and highly competitive, as is the market for obtaining locations in qualified shopping centers, malls, free-standing structures, non-traditional locations or other similar buildings with a captive market customer base. Generally, there is no seasonality to this business. The restaurant industry is highly competitive throughout the United States as the market is continuously changing and evolving. We plan controlled expansion into areas that we determine can support a Smoking Pig BBQ business to improve name recognition and our reputation through franchised businesses.

Smoking Pig BBQ restaurants are characterized by our: distinctive, unique and recognizable exterior and interior layout, content, décor, color scheme, furnishings and signage; full menu of lunch and dinner items featuring various southern-style smoked barbecue dishes and specialty dishes using proprietary recipes, spice rubs, dressings and sauces; specific food preparation techniques, procedures and methods; service standards, uniformity of all products (including menu items) and services used and offered, food presentation standards, procedures for sanitation, cooking and storage; specifications for all products and equipment, procedures for purchasing all products and equipment, relationships with vendors and suppliers, tracking inventory and cost controls; guidelines for hiring, training and retaining employees; vehicle appearance standards with unique and recognizable signage; specific operational procedures to enhance efficiencies, fundraising and promotional programs, catering sales strategies, advertising and marketing strategies and materials; administrative and record keeping procedures; a franchise web page housed within our national website, our confidential and proprietary operations manuals (“Operations Manual,” “Manuals” or “Operating Manuals”) and other manuals which are made available either in hard copy or electronically; all of which may be changed, improved and further developed by us periodically (the “System”).

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including the design plus “pig wearing sunglasses” which is registered on the principal register of the United States Patent and Trademark Office (“USPTO”), bearing the [serial-registration number 878847525626818](#), effective December 11, 2018. You will be licensed to use not only this mark and design, but also all other service marks, trademarks, slogans, logos and emblems as we may designate for use in connection with the System (collectively, the “Marks” and each a “Mark”).

You should consider the following when establishing and operating your Business: changing market conditions, competition, cost of food and supplies, equipment, real estate market, capital, labor, your own health, continuity of your management, continuation of sources of supply, availability of financing, recession or depression locally or nationally, wars, strikes, acts of terrorism, emergencies whether natural or manmade,

litigation, liability and casualty losses. In addition to industry developments, changes in consumer taste, pricing policies of your competitors, state licensing, supply and demand not to mention your dependence on key personnel, the loss of whom could have an adverse effect on your Business. The purchase of a Smoking Pig BBQ (or any other) franchise is a speculative, and a significant investment beyond that outlined in this Disclosure Document may be required to succeed. There are no guarantees for success and the most important factors in the success of any Smoking Pig BBQ franchise, including yours, are your personal business, marketing, management, judgment, other skills and your willingness and commitment to work hard and diligently in your Business and incorporating our System.

Laws and Regulations:

You should be aware that food products may be subject to the Pure Food and Drug Act, as well as Food and Drug Administration (FDA) and Department of Agriculture regulations. The FDA and Department of Agriculture in addition to state and local health departments administer and enforce laws and regulations that govern food preparation, service and sanitary conditions. You must comply with consumer protection laws and regulations concerning food preparation, handling and storage, “Truth in Menu” concerning menu item names, product content, labeling and nutritional claims. State and local agencies inspect restaurants and food establishments in general to ensure that they comply with such laws and regulations. Food and Drug laws as well as the FDA and Department of Agriculture regulations concerning the offering, preparation and service of food products may change. Also, the Federal Trade Commission, and the State Attorney Generals prohibit the making of any unfair or deceptive claims concerning the healthiness of any food item. In addition, there is the federal Clean Air Act and various state laws that impose air quality standards. These standards include limits on emission of ozone, carbon monoxide and other gases and/or particulate matter including emissions from commercial food preparation. You will be required to operate a smoker to prepare all meats, subsequently you may need to install and maintain emission control, scrubber and ventilation equipment to comply with certain laws and emission restrictions in space leases; or to prevent smoke infiltration to neighboring tenants. Some state and local governments have adopted or are considering adopting laws that regulate indoor air quality, including laws that ban smoking of tobacco products and electronic cigarettes in public places like restaurant and food establishments. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurant and food establishments such as the level of trans fats and sodium contained in food items. Additionally, the Menu Labeling Provisions of Patient Protection and Affordable Health Care Act require that certain restaurants and food establishments post calorie information on menus and to provide additional written information to consumers upon request.

In addition to laws and regulations that apply to businesses generally, your Smoking Pig BBQ Restaurant will be subject to various federal, state and local government regulations, licensing and requirements including those relating to site location, zoning ordinances, and building construction (such as the Americans with Disabilities Act as described below); safety, health and consumer protection laws and regulations. Some states may require that you obtain real estate permits, business, occupational, food product and other miscellaneous licenses. We do not assume any responsibility for advising you on such regulatory matters.

Your Business may be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, worker safety, unemployment compensation, workers’ compensation, child labor practices, disabled employees and discrimination in employment practices. You will be subject to the Americans with Disabilities Act, which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities (Schedule 4 of the Franchise Agreement). There may be other laws and codes applicable to your Business, and we urge you to make further inquiries about those laws and codes.

Other than what is stated above, currently we have no knowledge of any regulations specific to the operation of a Smoking Pig BBQ restaurant. However, in your state, province or county, there may be local codes, ordinances, statutes or laws, which license or regulate food establishments as the one being offered in this Disclosure Document and such regulations could affect the operations of your Restaurant. Local county health departments will typically inspect restaurants and food establishments to ensure compliance with safe food handling practices and adequacy of kitchen facilities. You should be prepared for such inspections and assure your compliance. You may also have to obtain health licenses and to comply with health laws and regulations that apply to restaurant and food establishments. These laws vary from place to place and can change over time. You must know such laws and regulations in your locality and must make sure that you and all your employees who work in your Restaurant comply with any such laws and regulations as well as obtain any licenses, certifications or permits required by your locality for performing work in your Restaurant. You should consider both their effect on your Business and the cost of compliance. In addition to complying with all laws, we require that either you, one of your Owners (if you are an Entity) and/or manager have successfully obtained a food handlers supervisor certification in your home state and maintain such certification. A food handler's supervisor certification is food handling and safety training that is necessary for the operation of your Restaurant.

We recommend that before signing the Franchise Agreement, you engage an attorney or other professional advisor to assist you in both determining what laws, ordinances and regulations may affect your establishment and/or operation of a Smoking Pig BBQ restaurant, and in complying with them. You are responsible for obtaining all certifications, licenses, permits and inspections required to operate your Restaurant. It is your sole responsibility to keep in force all necessary licenses and permits, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. We recommend that you consult with your attorney for an understanding of all the laws applicable to your specific Smoking Pig BBQ Restaurant.

We have not offered franchises in other lines of business in the past. We do not engage in any business other than the offer of franchises.

ITEM 2 **BUSINESS EXPERIENCE**

President/CEO: Paul Reddick: Paul is the founder of the Smoking Pig BBQ business model serving as President since our inception in April 2018. Paul has been responsible for creating our recipes, developing our menu items, food preparation, quality control and service standards, build out specifications and establishing relationships with vendors. From October 2009 to present Paul has been serving as President for our affiliate Smoking Pig BBQ Company, LLC. based out of our Fremont, California location. Paul will continue to develop recipes and menu items, manage relationships with vendors and suppliers, lead our franchisee training program and provide ongoing operational support to franchisees.

Vice President of Operations: Jessica Zhang: Jessica is the wife of our President and has been serving as Vice President of Operations since our inception in April 2018. Jessica has been responsible for establishing all our administrative and bookkeeping procedures, establishing our catering sales program and managing catering operations for all our company-owned locations. From October 2009 to present Jessica has been serving as Vice President and Catering Manager for our affiliate Smoking Pig BBQ Company, LLC. based out of our Fremont, California location. Jessica will continue to enhance all administrative procedures, develop catering sales accounts, assist with our franchisee training program and provide ongoing operational support to franchisees.

Director of Operations: Janeth Renteria: Janeth has been serving as Director of Operations since our inception in April 2018. Janeth has been responsible for daily operations, managing back of house and front of house operations in addition to hiring, training and managing employees for our Fremont location. From April 2012 to

present she has been a General Manager for our affiliate Smoking Pig BBQ Company, LLC. based out of our Fremont, California location. Janeth will work on programs to enhance operational efficiencies, assist with our franchisee training program and provide ongoing operational support to franchisees.

Director of Administration: Susan Powers: Susan has been serving as Director of Administration since our inception in April 2018. She has been responsible for performing all bookkeeping and record keeping function for all our company-owned locations. From January 2018 to present she has been a Bookkeeper for our affiliate Smoking Pig BBQ Company, LLC. based out of our Fremont, California location while also serving as a Bookkeeper and Onboarding Manager from July 2011 to present for Sum of all Numbers Accounting Services based out of Fremont, California. Susan will continue to refine our bookkeeping and record keeping procedures, assist with our franchisee training program and provide ongoing administrative assistance to all franchisees.

Administrative Training Coordinator: Kassandra Shreve: Kassandra has been serving as Administrative Training Coordinator since our inception in April 2018. Kassandra has been responsible for data collection, report creation, managing public relations and producing newsletters for all our company-owned locations. From October 2016 to present she has been an Administrative Assistant for our affiliate Smoking Pig BBQ Company, LLC. based out of our Fremont, California location. Previously from August 2016 to October 2016 she was a Package Handler for Amazon based out of Fremont, California after working for Rock Wall Wine Company from April 2016 to August 2016 based out of Alameda, California. From August 2015 to March 2016 she was an Administrative Assistant for SEA Construction based out of San Mateo, California while also working as a Receptionist from October 2015 to September 2016 for Levinson Benefits Group based out of Oakland, California. Previously she was a Receptionist for Burr Pilger Mayer, Inc based out of Palo Alto, California. Kassandra will continue to track statistics, create and distribute newsletters, assist with our franchisee training program and provide ongoing administrative assistance to all franchisees.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy information required to be disclosed in this Item.

ITEM 5 **INITIAL FEES**

The Initial Franchise Fee (“Initial Franchise Fee”) is \$25,000 for a Smoking Pig BBQ Restaurant Franchise in a protected area. The protected area of a Franchise is determined once a specific location is identified and approved by us. The Franchise Fee includes the development of a custom local affiliate web page for your Franchise housed within our national website that may include access to franchise portals online for ongoing news bulletins and templates for advertising materials to support your Business, web server setup for your web page that may provide you with editing ability to promote local specials or events; a comprehensive four week training program at our corporate headquarters, an Operations Manual and up to five days of assistance and guidance at your location for either pre-opening or grand opening assistance. You must purchase and maintain an inventory of product, supplies and kitchen equipment from us, our affiliates or our approved vendors and/or suppliers (as described in Item 8). You will be provided with a list of our approved vendors and/or suppliers during training. You will be provided with a written list of approved products, supplies, kitchen equipment and services you are authorized to use, offer and sell; and a written list of approved vendors and/or suppliers for such items during the

training program. At the time you sign your Franchise Agreement and anytime you are in good standing under your Franchise Agreement, you may purchase additional franchises for \$15,000 each if we offer additional franchises to you and if you meet the following minimum conditions: (a) you must satisfy our then-current qualifications and training requirements; (b) not be in default of the Franchise Agreement; and (c) you must execute our then-current franchise agreement.

The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement is signed, is non-refundable and is deemed fully earned upon the opening of the Business for the deliverables described above and as provided in the Franchise Agreement. In certain states, as required by state authorities based on a review of our financial statements, we may defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you (see state addenda in Exhibit D).

We may offer you an option (“Option”) to be awarded a Smoking Pig BBQ Franchise, on the terms set forth in the Option Agreement attached as Exhibit F. Under the Option Agreement, you have six months (the “Option Term”) to enter into a Franchise Agreement for your first Franchised Business or for additional Franchise Businesses. For the Option, you pay a nonrefundable fee of \$5,000 (“Option Fee”) that: (i) will be credited toward the Initial Franchise Fee if you exercise the option to purchase an initial franchise during the six-month Option Term or (ii) will be credited toward the franchise fee for an additional franchise if you exercise your option to buy an additional franchise during the six-month option term following the purchase of the Option to buy an additional franchise. The Franchise Fee upon exercise of an option will be the same as the Initial Franchise Fee without an Option. Whether you buy an initial franchise or an additional one, you must complete the purchase during the Option Term of the Option Agreement.

The Option Fee is not refundable and is payable in full when you sign the Option Agreement, as applicable, except as provided in Exhibit F.

We have established a program for qualified veterans of the United States who have been honorably discharged to receive a discount of 20% off the Initial Franchise Fee when purchasing a franchise. This program does not apply to additional franchises. We retain the right in our sole discretion to modify or terminate this veteran discount program at any time with or without notice. The factors concerning our decision to modify or terminate the veteran discount program include the number of franchises that we sell, the number of veterans that are interested in purchasing a franchise and the quality of veteran applicants that we receive.

We may also decide to offer a program in the future whereby Franchisees can receive a flat referral fee of \$2,500 in cash, services or product credit for referring a third-party franchise prospect to us, who ultimately becomes a Smoking Pig BBQ franchisee. You are authorized only to present a prospect with our informational brochure and to identify the prospect to our company franchise sales staff. You are not authorized to act as our agent or franchise broker and are not instructed to provide any information to prospects other than our informational brochure. If you are entitled to receive a referral fee, notice will be given to the prospective franchisee receiving the Disclosure Document, together with the same type of information reported in Item 2 and Item 3 of this Disclosure Document. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. The factors concerning our decision to start, modify, or terminate the referral program include the number of franchises that we sell, the number of referrals that we receive from current franchisees, and the quality of referrals that we receive from current franchisees.

ITEM 6
OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	5% of Gross Revenues per week starting immediately once the Restaurant is open for operation.	Due by the end of day each Tuesday for the previous week.	See Note 1.
System Advertising Fee	1% of Gross Revenues per week starting immediately after the opening of the Restaurant for operation.	Due by the end of day each Tuesday for the previous week.	We may increase this fee upon 90 days' written notice to you. However, your total contribution will not exceed the higher of 3% of Gross Revenues per week in any calendar year. See Note 2 and Item 11.
Local Advertising	A minimum of \$1,000 per month starting immediately the third month after your Restaurant is open for operation.	Spent by you to promote your Restaurant locally.	See Item 11
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided the interest rate cannot exceed the maximum legal rate. The highest interest rate in California is 10% per annum.	After due date of fees.	See Note 3.
Additional Training	Up to \$200 per person per day or costs of third party charges. You are responsible for all room, board and travel expenses.	At time training is scheduled and/or additional assistance is requested by you.	While the Initial Franchise Fee includes the cost of our initial training program, the Initial Franchise Fee only covers training for up to three individuals. See Item 11. Additionally, this fee is applicable to the transferee upon an approved transfer of the Franchise for the initial training program and additional training.
Audit Expenses	Cost of Audit Fees plus interest @ 18% per annum (1.5% per month) up to the maximum interest rate allowed by law. The highest interest rate in California is 10% per annum.	Ten days after receipt of audit report.	Payable to us if you understate Gross Revenues by 2% or more. We expect the cost to be between \$4,500- \$7,500 unless your financial records are not well kept.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred.	Payable as incurred by us in obtaining injunctive relief or the enforcement of any term of the Franchise Agreement.
Indemnification	Will vary under circumstances.	On Demand.	As Incurred; See Note 4.
Technology and Software Fees for Ongoing Support	Currently \$360-\$375 per month for POS system, software and ongoing support necessary for the operation of your Restaurant. Currently \$225-\$240 per month for unlimited users for the use and ongoing support of specific invoice and accounting software necessary for the operation of your Restaurant. Currently \$400 per year per user for the use and ongoing support of specific catering and sales management software necessary for the operation of your Restaurant.	Monthly	Payable to us, our affiliates and/or approved vendors. See Note 5.
Music Subscription and Licensing Fees	Currently \$80-\$90 per month to subscribe to a commercial -free music service. Currently \$1,400 per year to renew royalty-free music license subscription.	Monthly and Yearly.	Payable to us, our affiliates or approved vendors. See Note 6.
Security Alarm Fees	Currently \$90-\$100 per month for security alarm monitoring services	Monthly	Payable to us, our affiliates or approved vendors. See Note 7.
Laundry Service Fees	Currently \$180-\$200 per month for professional laundry services.	Monthly	Payable to us, our affiliates or approved vendors. See Note 8.
Inspection Fee	\$2,500 if you fail to pass an inspection for the second time.	On Demand.	Payable to us See Note 9 and Item 8.
Web Page Edits, Updates, Changes, Maintenance and Promotion Fee	Currently a \$65-\$125 per hour that may be necessary to update and/or promote your web page	As Incurred	Payable to us, our affiliates and/or approved vendors. See Note 10

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Renewal Fee	A flat \$5,000 for each Franchise	At the time of the ten-year renewal period for each franchise.	For the same protected area.
Transfer Fee	A flat fee of \$5,000 when you transfer a part (less than 49% of all the assets) of the Business or a flat fee of \$10,000 when you transfer all of the Business (more than 49%). If transferee came from our lead database, you may be required to pay the then-current referral fee to us plus any costs associated with applicable broker fees.	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the business is transferred.
Product, Vendor and Equipment Testing Fee	Up to \$200 per product or vendor \$500 for equipment testing plus our expenses if we travel to test such equipment or our actual costs incurred.	On Demand	See Note 11.
Resale Fee	Varies	On Demand	If you ask and we agree to assist you in finding a buyer for your Business, you pay us a fee to cover our costs and expenses, including time committed by our personnel.
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Restaurant. If not done, we can appoint a manager for up to 90 days, renewable up to one year. All expenses, including manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.
Conference Fee	Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed \$500 per person although we will attempt to keep the cost down, so it does not exceed our cost.	As Incurred.	As Incurred and payable to third parties and us.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Refresher Training and/or Continuing Education	Will vary under circumstances. Refresher or continuing education is estimated not to exceed \$200 per person per day plus your travel expenses or our expenses if we come to your location.	As Incurred.	The location for refresher training and/or continuing education will be at our headquarters although we reserve the right to provide them over the Internet or phone. There may be an annual conference for all franchisees to attend and other conferences as needed. See Item 11, (14) (iv) for more detail.

Except as stated above, you pay all fees to us and they are uniformly imposed. All fees are non-refundable.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises; which includes all revenues generated from the sale of all products. Gross Revenue also includes fair market value for any product or service you receive in barter or exchange for your products or services and all insurance proceeds that you receive for the loss of the business due to a casualty to, or similar event at, the Business. We exclude only (i) the gratuities paid by customers to employees of the Business; (ii) sales tax receipts that you must by law collect or pay; (iii) any refunds or voided transactions under ½ % you give to customers and customer refunds of previous payments you actually make; (iv) the retail value of any complimentary (free) services, products and any menu items and/or meals offered to customers or employees up to a maximum of 2% of Gross Revenues for the Business; and (v) gift card sales that you make from your Business. We have the right to change, modify or discontinue your ability to exclude complimentary services, products, menu items and/or meals from your Gross Revenue calculation for any reason whatsoever upon 90 days' notice to you.

The royalty obligation begins immediately after your Restaurant is open for operation then continues for the term of your Franchise. The royalty is due and payable weekly by the end of the day each Tuesday and must be received how we specify. The royalty rate is 5% of Gross Revenues for your previous week for the entire term of your Franchise Agreement. If we terminate your Franchise Agreement, you may be required to continue royalty payments for the remainder of the term of your Franchise Agreement.

Royalty fees shall be payable only to us and collected by us through electronic transfer with direct deposit to us from your account. Under our current automatic debit program, you must make required funds available for withdrawal by electronic transfer before the due date. See the Direct Deposit Agreement attached as Schedule 1 of the Franchise Agreement. We reserve the right to change the time and manner of payment upon written notice to you. All royalty fees are uniformly imposed. All royalty fees are non-refundable.

Note 2: You will pay us a System Advertising Fee contribution equal to 1% of your weekly Gross Revenues as defined in the Franchise Agreement. The System Advertising Fee is imposed by us and collected by us and all System Advertising Fees are non-refundable. The System Advertising Fee begins immediately once your Restaurant is open for operation and is due by the end the day each Tuesday and continues for the term of your Franchise. We may raise, discontinue, or reduce the contribution, but your total monthly contribution will not exceed 3% of your Gross Revenues per week in any calendar year. Gross Revenue is defined below, in the Franchise Agreement, and

in Note 1 above. You pay the System Advertising Fee contribution at the same time and under the same terms as the royalty described above. System Advertising Fees are uniformly imposed on all franchisees.

We will place the System Advertising Fee contributions in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development, administration (including our salaries, accounting, collection, legal, and other costs), related expenses, and any media costs (including any media production costs). We make the expenditures at our discretion. We do not represent that any level of expenditure will be made for programs or to benefit franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any System Advertising Fees. All system advertising fees are collected only by us, and payable only to us. All system advertising fees are non-refundable.

Note 3: Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments, provided; however, no interest shall be charged in excess of the maximum rate allowed by law. The highest interest rate in California is 10% per annum. All interest and late charges are payable only to us and collected only by us. Interest and late charges are uniformly imposed. Interest and late charges are non-refundable.

Note 4: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the agreement and we engage an attorney for collection or enforcement, you must pay all our damages, legal fees and costs to the extent permitted by law. We are the only one who imposes and collects Indemnification costs. Indemnification costs may vary based on the claims, lawsuits, and losses that we incur arising out of your operation of the Business (Franchise Agreement Section XVIII).

Note 5: You are required to use specific point of sale (“POS” or “POS system”) technology and software for the operation of your Restaurant. The POS technology and software are specific to the restaurant industry that tracks the sale of all menu items and products, incorporates contact management, inventory management and reporting functionality. The technology fee for POS support, usage of such software in addition to ongoing software support is currently \$360-\$375 per month for up to five stations and an additional \$120 for each additional station thereafter. POS technology and software fees are payable to us, our affiliates or approved vendors.

You are required to use specific invoice management and accounting software for the operation of your Restaurant. The invoice management and accounting software is specific to the restaurant industry that: tracks and records purchases, calculates food cost, manages vendors, incorporates report functionality and integrates with other third-party accounting software. The fee for the usage and support of this invoice management and accounting software is currently \$225-\$240 per month for unlimited users at your Restaurant and is payable to us, our affiliates or approved vendors.

You are also required to use specific catering and sales management software for the operation of your Restaurant. The catering and sales management software is specific to the restaurant industry that: manages all catering service inquiries, provides scheduling functionality, manages each catering event from quantity of food to packaging and incorporates a contact management platform. The fee for the usage and support of this catering and sales management software is currently \$400 per year per user and is payable to us, our affiliates or approved vendors. We would expect you will need a minimum of three users for your Restaurant.

It is your responsibility to install and upgrade the technology hardware, networking and software for your Restaurant. You will have sole authority and control over the use of all software, day-to-day operations of the Restaurant and your employees. At no time will your employees be deemed to be employees of ours. Technology

and software fees are non-refundable and we may change the technology requirements and fees upon 90 days' written notice to you and you will be required to adhere to our new technology requirements and fees at your own expense. Technology and software fees may be changed in response to any increase in the United States Consumer Price Index, if additional features are offered; or if the manufacturers of such technology and/or software believe that conditions in the overall economy or in the market for such services warrant any change in fees. Technology and software fees are non-refundable and are uniformly imposed and collected only by us, our affiliates or our approved vendors (Franchise Agreement Section X.E, XII.H, XII.I and XX.A).

Note 6: You are required to obtain a commercial-free music subscription from our approved vendors for the operation of your Restaurant. Such music subscription allows you the ability to have streaming commercial-free music in your Restaurant. Music subscription fees range from \$80-\$90 per month and are payable to our approved vendors. You are also required to maintain a royalty-free music subscription license which is currently \$1,400 per year. It is your responsibility to install and upgrade the music equipment and software required for such music subscription for your Restaurant. We may change such music subscription and licensing requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new music subscription and licensing requirements at your own expense. Music subscription and licensing fees may increase from our vendors in response to any changes in the United States Consumer Price Index, if additional services are purchased or if conditions in the overall economy or in the market for such music services and licensing warrant any change in fees. Music subscription and licensing fees are non-refundable and are uniformly imposed and collected only by us, our affiliates or our approved vendors (Franchise Agreement Sections X.F, XII.H and XII.I).

Note 7: You are required to use a professional security alarm monitoring services for your Restaurant. It is your responsibility to manage the security alarm system and all required equipment for your Restaurant. Currently security alarm fees are \$90-\$100 per month and payable to our approved vendors. We may change such security alarm requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new security alarm requirements at your own expense. Security alarm fees may increase or decrease depending on your usage, may increase from our vendors in response to any changes in the United States Consumer Price Index, if additional services are purchased or if conditions in the overall economy or in the market for such security alarm services warrant any change in fees. Security alarm fees are non-refundable (Franchise Agreement Sections X.G and XII.H).

Note 8: You are required to use a professional laundry service to clean your aprons, towels, matts and mops. It is your responsibility to manage the laundry services for your Restaurant so that all aprons, towels and matts meet our cleanliness standards, which will be provided to you during the initial training program. Currently laundry service fees are \$180-\$200 per month and payable to our approved vendors. We may change such laundry service requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new laundry service requirements at your own expense. Laundry service fees may increase or decrease depending on your usage, may increase from our vendors in response to any changes in the United States Consumer Price Index, if additional services are purchased or if conditions in the overall economy or in the market for such laundry services warrant any change in fees. Laundry service fees are non-refundable (Franchise Agreement Sections X.H and XII.H).

Note 9: You are required to maintain our quality standards, product specifications and cleanliness standards. We reserve the right to charge you a fee of \$2,500 if we inspect your Business and you do not pass the inspection for a second time in any two-year period. This fee is in addition to any product, vendor or equipment testing fee as described below (Franchise Agreement Sections X.I and XII.Q).

Note 10: We, our affiliates and/or our approved vendors will complete all changes, updates and promotions to your web page. Any requests for changes or updates to the content of your web page and/or any type of website promotion you wish to do must be approved by us in writing and performed by us, our affiliates and/or our

approved vendors. We will respond to you within 30 days of our receipt of your request for all web page changes. The web page maintenance and promotion fee is currently \$65-\$125 per hour and is payable to us, our affiliates, or our approved vendors. We may change our web page maintenance and promotion fee requirement upon 90 days' prior written notice to you and you will be required to adhere to our new web page maintenance and promotion fee requirements at your own expense. The fees may be changed in response to any increase in the United States Consumer Price Index, if we choose to offer additional features, if we choose to provide additional web pages or if we believe that conditions in the overall economy or in the market for services warrant any change in fees. Web page maintenance and promotion fees are non-refundable and are uniformly imposed and collected only by us, our affiliates or our approved vendors (Franchise Agreement Section X.J).

Note 11: You will be required to obtain our written approval for any product (including menu item or retail item), vendor and/or supplier or piece of kitchen equipment you wish to use in the operation of your Restaurant (as described in Item 8) and you will be responsible for paying us an assessment fee. This fee is up to \$200 for any single product (including menu or retail item), vendor and/or supplier you wish to offer, use and/or substitute in your Restaurant. The fee for kitchen equipment testing is a minimum of \$500 per piece of equipment plus our expenses if we travel to test such equipment or the actual costs incurred by us. We may waive these fees if the products (including menu and/or retail items), vendors and/or suppliers or equipment you select meet our requirements and make it on our approved list of products (including menu or retail items), vendors and/or suppliers and kitchen equipment for all franchise locations. All product, vendor and equipment assessment fees are payable only to us. However, if we need to use the services of a third party to conduct the testing, we reserve the right to impose an additional fee. Product, vendor and equipment assessment fees are non-refundable and are uniformly imposed. Product, vendor, and equipment assessment fees are collected only by us, and payable only to us (Franchise Agreement X.K).

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$25,000	\$25,000	The Initial Franchise Fee is \$25,000 for a defined territory which includes training and a web page. The Initial Franchise Fee is non-refundable.	At signing of the Franchise Agreement	Franchisor See Item 5
Technology	\$13,000	\$19,500	As incurred; for one computer or laptop, a POS system, software, printers, modem, routers, sound system, flat screen televisions, camera surveillance system, security alarm system, sound system and telephones.	Before opening	Payable to us, our affiliates or approved vendors See Note 1
Kitchen Equipment, Furniture and Fixtures	\$163,500	\$200,250	As incurred; actual costs will vary based on the size of your facility. Estimated expenses are for all kitchen equipment, furniture and fixtures necessary for the operation of your Business.	Before opening	Payable to us, our affiliates or approved vendors See Note 2

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Real Estate	\$9,250	\$32,850	As incurred; estimated expenses are for your business location and are based on leasing 2,500 to 4,500 square foot facility. This estimate includes only the first month's rent plus a security deposit.	Before Opening	Landlord See Note 3
Leasehold Improvements	\$50,000	\$800,000	As incurred; the costs to construct interior alterations, improvements, lighting and decorating the facility will depend on the extent of the renovations needed to convert space into separate areas and any allowance you negotiate with the landlord for construction.	Before Opening	Landlord See Note 4
Utilities	\$1,600	\$2,100	As incurred; utility company deposit and firewood, the cost of the utility deposit will vary due to policies of local utilities and is an estimate.	Before Opening.	Local Utility Suppliers
Signage	\$16,000	\$18,000	Lump sum; estimated cost for the delivery and installation of interior and exterior signage. We specify and provide you with signage guidelines in the Operations Manual. Signage expenses are not refundable.	Before Opening	Payable to us, our affiliates or approved vendors
Start Up Inventory	\$50,000	\$65,000	Lump sum; estimates for a startup inventory of products and supplies necessary for your Restaurant.	Before Opening	Payable to us, our affiliates or approved vendors See Note 5
Vehicle	\$0	\$2,500	As incurred; you must have new or used pickup truck or sports utility vehicle that meets our appearance standards for the operation of your Restaurant.	Before Opening	Third Parties See Note 6
Vehicle Graphics	\$500	\$3,000	Lump sum; estimated costs for placing approved graphics on your Vehicle. We specify and provide you with vehicle graphic guidelines in the Operations Manual	Before Opening	Payable to us, our affiliates or approved vendors See Note 7
Grand Opening Marketing	\$3,000	\$7,500	As incurred.; marketing will vary depending on several factors including your business plan, growth rate, cost of media in your area and ability to attract customers. Includes minimum amount of \$3,000 for grand opening expenses that must be spent during your first two month that your Restaurant is open for operation.	Over the course of your first two month of operation	Local Vendors

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Staffing	\$93,500	\$101,000	As incurred; you will need to hire a chef, part-time cooks, dishwashers, servers, bussers, greeters, part-time supervisors and one general manager. The low end of this estimate takes into account you are the general manager. The high end of this estimate represents hiring a general manager. This is an estimate for your one month prior to opening for operation and your first month in operation.	Over the course of one month prior to opening for operation and your first month of operation.	Salaries and Expenses
Uniforms	\$500	\$800	Lump sum; this is an estimate for a minimum inventory of logoed t-shirts and polo shirts for your staff. Costs will vary depending on the number employees you hire.	Before Opening	Approved Vendors See Note 8
Insurance	\$9,000	\$12,000	As incurred; before commencing operations of your Restaurant and as required by the insurance company. Estimate excludes workers' compensation insurance.	Spent over the course of 12 months	Payable to third parties; See Note 9
Travel, Lodging and Meals for Initial Training Program	\$5,200	\$6,500	As Incurred; training held at corporate headquarters. You are responsible for all costs associated with attending such as travel, room and board. Estimate provided are costs for one person. Additional training is available at your request for which an additional training fee of up to \$200 per person per day may be required.	As Incurred	See Item 11
Licenses, Permits, Certifications and other Professional Fees	\$2,500	\$6,000	As incurred; licenses, permits, architectural fees and food handling certifications required to operate your Restaurant and any professional legal and accounting fees incurred.	Before Opening	Appropriate licensing authorities and Third Parties
Additional Funds (3 Months)	\$15,000	\$30,000	As incurred; additional funds necessary for start-up of your Restaurant which includes working capital.	Spent over the course of first three months	See Note 10
Total	\$457,550	\$1,332,000			

Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable.

Note 1: You must purchase computers or laptops, a POS system, software, printer, modems and routers, flat screen televisions, camera surveillance system, security alarm system, sound system and a phone system for the operation of your Restaurant as specified in the Operations Manual. The low end of the estimate represents current costs for: one computer or laptop, one POS system (that includes five terminals, software, five receipt printers, two kitchen printers, cash drawer and merchant service equipment), one printer/copier machine, modems and routers, five flat screen televisions, one camera surveillance system with eight stations, one security alarm system, a telephone system with two stations and a sound system. The low estimate takes into account you are leasing the POS system. The high end of the estimate represents current costs for: one computer or laptop, one POS system (that includes six terminals, software, six receipt printers, three kitchen printers, cash drawers and merchant service equipment), one printer/copier machine, modems and routers, eight flat screen televisions, one camera surveillance system with twelve stations, one security alarm system, a telephone system with four stations and a sound system.

You must purchase only approved computers and laptops, POS systems, software, camera surveillance systems, security alarm system, flat screen televisions, phone and sound systems that meet our specifications, which may change from time to time. The high estimate takes into account you are purchasing the POS system. We base our estimates on the technology costs incurred by our affiliate that operates company-owned locations. All such items must be purchased through us, our affiliates and/or vendors or suppliers approved by us and may not be refundable depending on the terms of the invoice or purchase agreement (Franchise Agreement Sections XII.H, XII.I and XX.I).

Note 2: This is an estimate for the items you will need for kitchen equipment, furnishing and fixtures. You must purchase various used or new pieces of kitchen equipment for the operation of your Restaurant as specified in the Operations Manual. The kitchen equipment you will need to operate your Restaurant includes, but is not limited to: ovens, flat top grills, deep fryers, barbeque smokers, hot boxes, one walk-in cooler, commercial grade refrigerators, commercial grade freezers, under counter refrigerated units, refrigerated serving stations, microwave, rice cooker, coffee makers, mixer, one kitchen ventilation system, dishwashing system and ice machine. The furnishings and fixtures necessary to operate your Restaurant include but are not limited to: tables, chairs, bar stools, booths, one desk, filing systems, custom counters, fabricated stainless steel work tables, a three-compartment sink, dunnage racks, shelving, cabinets, storage racks, locker units and one small safe. The low end of the estimate is based on opening a 2,500 sq.-foot facility with used equipment along with leasing the dishwasher and ice machine. The high end of the estimate is based on opening a 4,500 sq. foot facility with new equipment along with purchasing the dishwasher and ice machine. Actual kitchen equipment, furniture and fixture costs may vary due to the square footage of your facility. We based our estimate on the kitchen equipment purchase and lease costs incurred by our affiliate that operates three company-owned locations. Sales tax is charged separately by each state, may range from 3%-10% of the purchase price and are not included in these estimates. You are responsible for paying all applicable sales taxes. You must lease or purchase all kitchen equipment, furnishing and fixtures from us, our affiliates or our approved vendors and suppliers. In addition, you must lease or purchase all kitchen equipment, furnishings and fixtures that meet our specifications, which may change from time to time. The cost of all kitchen equipment, furnishing and fixtures will depend on financing terms available, the condition of the kitchen equipment, furnishing and fixtures and other factors. You may be able to take advantage of tax benefits for the lease or purchase of all your kitchen equipment, furnishing and fixtures and as such, you are encouraged to talk with a tax professional. Expenses for the kitchen equipment, furniture and fixtures do not include shipping or delivery costs and may or may not be refundable depending on the terms of your invoice, lease agreement or purchase agreement (Franchise Agreement Sections XII.H, XII.I and XX.D).

Note 3: A typical Smoking Pig BBQ restaurant is in a shopping center, mall or a free-standing building with approximately 2,500-4,500 square feet of space. Cost per square foot will depend on your geographic area and we estimate such costs to be approximately \$1.85 per square foot on the low end and approximately \$3.65 per square foot on the high end. We used these figures for the low and high estimates given above when leasing a space with high visibility. These sums do not include common area maintenance fees which (if applicable) will vary depending on your location or any sums for the purchase of real property, as we do not expect that you will buy real property. Real estate costs depend on location, size, visibility, economic conditions, accessibility and competitive market conditions. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business. The space must be enclosed and separate from other businesses with its own locking door. We base our estimate on the costs that our affiliate incurs in operating their company-owned locations. Lease payments for periods of time that you occupy your premises may not be refundable. In the event you leave your leased premises before the termination of your lease, you may owe the landlord payment for the entire lease term depending on the terms and conditions of your lease.

Note 4: We advise you to find a space needing minimal leasehold improvements. In most cases you will need to alter the interior of your Restaurant before you open for operation. The costs will vary widely and may be significantly higher than what is projected in the table above depending on factors such as property location, the

condition of the property and the extent of alterations required for the property. The high estimate reflects the potential need to build out a kitchen, add lighting, bathrooms, hand washing sinks, fire sprinklers, fire alarms, phone lines and modify and/or add an HVAC system that entails mechanical, electrical and plumbing costs. In addition, we assume that your landlord will provide connections to adequate electrical, gas, water and sewage service and your landlord may provide tenant improvement allowances. We base our estimates on the costs that our affiliate incurred when building out their company-owned locations. You should investigate all these costs in the area in which you wish to establish a Smoking Pig BBQ. We will provide you with standard layouts and design options for your Restaurant; however, it is your responsibility to hire an architect to create a complete set of drawings based on the size of your facility and local permitting requirements. Architect and permitting costs are not included in this estimate. Whether or not any leasehold improvements or build out expenses are refundable depend on the terms and conditions of your contracts with construction and mechanical contractors, as well as your lease agreement (Franchise Agreement Sections XII.S and XII.T).

Note 5: You must purchase products and supplies for the general operation of your Restaurant as specified in the Operations Manual. You must purchase only approved products and supplies, and you must purchase products and supplies that meet our specifications, which may change from time to time in our discretion. The types of products and supplies include, but are not limited to: meats, chicken, fresh produce, fresh vegetables, dairy products, breads, dry goods (such as: rice, beans, canned items, flour, spice rubs, etc.), sauces, dressings, pies, a variety of non-alcoholic beverages (such as carbonated drinks, flavored teas and coffee), paper goods (such as: paper plates, paper bowls, napkins, paper towels, cups, etc.), packaging materials (such as: boxes, bags, etc.), disposables (such as: hairnets, gloves, plastic silverware, straws, etc.), small wares (such as: pitchers, cups, glasses, plates, baskets, silverware, etc.), cooking supplies (such as: different size pans, mixing bowls, cooking utensils, cutting boards, knives, measuring cups, etc.), squeeze bottles, storage containers, take-out menus, apparel, basic office supplies, cleaning supplies, fire extinguishers and other miscellaneous products or supplies as specified by us. All items mentioned above must be purchased through us, our affiliates or approved vendors and/or suppliers, except all advertising and promotional materials, take-out menus and miscellaneous forms must be purchased directly from us. We base our estimate of product and supply costs incurred by our affiliates when opening their company-owned locations. Whether or not any of the purchases for products and supplies are refundable depends on the terms of the invoice or purchase agreement with suppliers (Franchise Agreement Sections XII.I and XX.I).

Note 6: You must have a pickup truck, box van or a sports utility vehicle (“Vehicle”) for your Business to perform catering and delivery services (if you choose to perform delivery services yourself rather than use a third-party mobile app platform delivery service provider as described in Item 12). You can use or purchase any type of used or new Vehicle for your Business; however, we require that all Vehicles meet our appearance standards. We will provide you with a written list of Vehicle appearance standards during your initial training program. The low end of the estimate is taking into account that you may be able to use your existing Vehicle so long as such Vehicle meets our appearance standards. The high end of the estimate is an estimated down payment for purchasing a used or new Vehicle which is approximately \$2,500 per Vehicle. Your costs for a new Vehicle may be reduced if you choose to lease rather than purchase. The purchase agreement price will vary from dealer to dealer, and the terms of your loan, including the interest rate and term, may vary depending on your credit worthiness, changes in credit markets and other factors which are not under our control. We can't give you any guarantees or make any representations as to the terms, conditions or otherwise of any financing for your Vehicle. You may elect to purchase additional Vehicles to keep up with the growth of your Business. Whether or not payments made for the purchase of your Vehicle is refundable depends on the terms and conditions offered by your dealer (Franchise Agreement Sections XII.H, XII.U and XX.H).

Note 7: You must place our approved graphics on your Vehicle, and we will provide you with specifications for vehicle graphics during the training program. Whether or not payments made for vehicle graphics are refundable depends on the terms and conditions offered by the vendor (Franchise Agreement Sections XII.H, XII.U and XX.H).

Note 8: You must purchase and maintain an inventory of approved uniforms for the operation of your Restaurant. You must purchase black logoed t-shirts and polo shirts for your employees from us, our affiliates and/or our approved vendors. All uniforms must meet our specifications, which may change from time to time. You will need a minimum inventory of approved black logoed t-shirts and polo shirts for your staff for one month prior to opening for operation and for your first month of operation. The number of uniforms you will need will vary depending upon the number of employees you hire. This estimate does not include any shipping costs, which (if applicable) are your responsibility. Whether or not any of the purchases for uniform apparel are refundable depends on the terms of the invoice or purchase agreement with suppliers.

Note 9: This estimated amount represents twelve months of pre-paid insurance premiums that does not take into account workers' compensation insurance, which may vary greatly by state, payroll and classification. You must obtain and keep general liability insurance and product liability insurance (covers you for damages that result in injury from products that you distribute) with a minimum policy limit of \$2,000,000 per occurrence and \$4,000,000 aggregate or in amounts we may require, to reflect inflation, identification of new risks, changes in law or other relevant changes in circumstances. You are also required to obtain property and casualty insurance that covers the assets of the Restaurant, "All Risk" insurance coverage for property that is not included in other insurance policies, workers' compensation insurance as prescribed by law, employer's liability insurance, employment practices liability insurance, business interruption insurance and automotive liability insurance that includes hired and non-owned coverage with a minimum policy limit of \$2,000,000 including uninsured motorist/minimum of \$100,000 or what is in accordance with your state guidelines or an amount we reasonably specify. Due to varying factors that affect the cost of workers compensation and auto insurance, the cost of workers' compensation and auto insurance is not included in this estimate. We may change insurance requirements on reasonable notice to you. We base our estimates on the insurance costs incurred by our affiliates at their company-owned locations. Whether or not insurance premiums are refundable depend on the terms of your insurance policies. In general, the cost of insurance coverage will vary depending on the carrier's charges, terms of payment and your claims history (Franchise Agreement Section XIII).

Other insurance such as, tenant's liability, professional liability insurance (covers you for damages that arise that do not result in property or bodily injury) and employee dishonesty insurance are optional; however, we may require you to obtain this coverage in the future with liability limits of amounts we specify. We may change these insurance requirements on reasonable notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depend on the terms and conditions of your insurance policies.

Note 10: Competitive conditions described in Item 1 will affect these costs. Estimate includes minimum working capital for the startup of your Restaurant. We base this estimate on the costs that our affiliate incurred when opening their one company owned location. This also includes estimates of miscellaneous startup costs such as: rent for an additional two months (first months' rent is already included above), purchasing additional kitchen equipment, inventory (products and supplies); utilities, hiring additional staff, workman's compensation insurance payments (if applicable), shipping and delivery fees, tax deposits, prepaid expenses, additional permits, legal fees, accounting fees and other miscellaneous costs.

Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our principals' combined experience when preparing these figures. The actual amount of funds you will need depends on a variety of factors, including the size of your facility, the location of your Restaurant, build-out expenses, the time of year when you open your Restaurant, if you choose to lease or purchase your POS system, the amount of kitchen equipment, products and supplies you purchase, if you choose to lease or purchase your kitchen equipment, if you purchase a used or new Vehicle, how many employees you hire, implementation of a marketing plan, your own management skill, economic conditions, competition in your area and other factors. The estimate of initial investment funds is based on an owner-operated business; or

incorporating business operations within an existing complimentary business and does not include salaries or benefits for full-time employees. As your Restaurant grows, you may choose to hire additional employees to carry out support service tasks.

These figures are just estimates, and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. This estimate of startup costs is calculated for a period of one month (except as stated otherwise), with additional operating capital to be available as may be needed during the initial phase. These costs do not include your Royalties and System Advertising fees, which begin immediately once your Restaurant is open for operation. These costs should be included in your projections of overall operations costs beginning with your first month of operation. We acknowledge that you may choose to invest additional funds into your Restaurant during the first three months of operation, and sometimes longer, but we cannot estimate or promise when, or whether, any individual franchisee will achieve positive cash flow or profits. You should review the figures carefully with a business advisor and identify your individual expenses along with cash flow projections before making any decision to buy a franchise.

We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise. The availability and terms of third party financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and the lending policies of financial institutions. The estimate does not include any finance charges, interest, or debt service obligation, or your living expenses. You should have sufficient capital or other means to pay for your living expenses for at least six months of operation.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer certain products, supplies, kitchen equipment or services and we may become approved suppliers or the only approved supplier(s) for these and other products, supplies, kitchen equipment and services. The products, supplies, kitchen equipment and services include: ingredients (such as canned items, rice, beans, spice rubs, sauces, dressings, etc.), meats, chicken, fresh produce, fresh vegetables, dairy products, breads and pies; non-alcoholic beverage products (such as: carbonated drinks, flavored teas and coffee), supplies (such as small wares, paper goods, packaging materials, disposables and cooking supplies), kitchen equipment (such as: ovens, flat top grills, deep fryers, barbeque smokers, refrigeration units, etc. as described in Item 7), furnishing and fixtures, technology items (such as: computers or laptops, POS system, flat screen televisions, camera surveillance systems, security alarm system, sound system, phone system, etc.), software, signage, Vehicle, vehicle graphics, uniforms, merchant services, POS and technology support services, music service providers, security alarm providers, laundry service providers, printed advertising materials, shows and event marketing opportunities and vendor, co-branding, affinity programs. You cannot purchase unapproved products or supplies and/or lease or purchase unapproved kitchen equipment from any vendor and/or supplier that are not on our pre-approved list without our written permission. We will provide you with: a written list of approved products, supplies, kitchen equipment and services you can use and offer in your Restaurant; recommended procedures and strategies when purchasing products and supplies and leasing or purchasing kitchen equipment for your Restaurant; and a written list of approved vendors and/or suppliers to purchase and/or lease kitchen equipment, products, supplies and services from during our initial training program. Currently we are not the only approved supplier of such items that you are required to use or sell in the operation of your Restaurant, except you must purchase all miscellaneous forms, take-out menus, advertising, promotional and marketing materials and updates from us. As of the date of this Disclosure Document, all updates to such advertising, promotional and marketing materials are optional, but we may in the future mandate that you purchase certain updates at your expense. If we develop proprietary products or if we develop proprietary equipment or software in the future, you must purchase such items from us, our affiliates or approved suppliers. We may become the approved suppliers or the only approved supplier for products, supplies, kitchen equipment and services in the

future. We have negotiated lease and/or purchase arrangements with vendors and/or suppliers for the benefit of you in the areas of costs and customer support.

Smoking Pig BBQ Company, LLC which is our affiliate and owned by Paul Reddick, is currently the only approved vendor and supplier for all sauces, spice rubs and sausage products to be purchased by you for the operation of your Restaurant. We do not know the precise basis or amount of total revenue earned from purchases for such items for the last fiscal year because we are a new franchise and our affiliate has never previously collected them. Nor do we know the actual percentage of our affiliate's total revenues that such purchases will amount to, as they have never collected such payments.

You are required to adhere to the standards and specifications established periodically by us with respect to your Smoking Pig BBQ Restaurant which includes: all products (including menu items and retail items) used, offered and sold; recipes, food preparation, cleanliness standards, operational procedures, Vehicle appearance, vehicle graphics, advertising, vendors and services to be offered through your Franchise and other items for the operation of your Restaurant. You must operate the Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Operations Manual or otherwise in writing. You must maintain in sufficient supply, use, offer and sell at all times only the products, supplies, kitchen equipment and services that meet our standards and specifications. We may change our standards and specifications as a result of experience or changes in the marketplace and we will issue such changes to all franchisees. You are not permitted to: use the products or services of an unapproved vendor, lease or purchase products or equipment from an unapproved supplier; offer or sell any other products (including menu items) not approved by us, unless you first submit a written request to us for approval and agree to be responsible for all product, vendor and equipment fees described in Item 6 and below in this Item 8. We will use our best efforts to advise you within thirty (30) days whether such products, supplies, kitchen equipment, vendors or suppliers are approved as further described below.

We base our specifications for products, supplies, kitchen equipment, vendor and supplier approvals on our discretionary determination of demand, relevance to the System, price, value, quality, reliability, accuracy of product claims, safety, warranty, prompt attention to complaints, financial stability, litigation against supplier, recall history, reputation, frequency of delivery, appearance and contributions or other benefits to us and/or any marketing fund. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. We have the right to disapprove any product, piece of kitchen equipment and/or supply sources that are not on our approved vendor list. You may not use any product, piece of kitchen equipment, service, vendor or supplier that we do not authorize, and you are prohibited from using, offering or selling such in your Restaurant. We may require vendors and/or suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications. There is a product, vendor and equipment assessment fee for supplier approval and we may require third party testing, in which case you will pay the actual cost of the tests as described in Item 6. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. We will respond to a written request by you to approve a product (including a menu item or retail item), piece of equipment or a supplier within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved product (including a menu item or retail item), piece of kitchen equipment, vendor or supplier does not adhere to the specifications described above. We will notify you either by email or any other written form of communication of our approval, disapproval or revocation of any prior approval of any product, kitchen equipment, vendor or supplier.

You must use and offer only the products (including offering menu items and retail items), supplies, kitchen equipment and services that we specify in writing which may be amended or modified by us periodically. You are not required to maintain a minimum inventory of products in your Restaurant; however, we retain the

rights to do so in the future. If we require you to maintain a minimum inventory of products, (currently not in effect) we will notify you by email or any other written form of communication and you will have 90 days to comply with such requirements at your cost. We will provide you with a written list of approved products (including menu items and retail items) that you can use, offer and/or sell in your Restaurant after signing the Franchise Agreement and during our initial training. If any product (including menu item or retail item), piece of equipment, service, vendor or supplier is not authorized by us, you are prohibited from using, offering or selling it in your Restaurant. We will enforce these requirements by using “secret shoppers” or unannounced on-site visits to your Restaurant on a regular basis. When we make other visits to restaurants, such as to assist you, we may also take that opportunity to visibly inspect your inventory and determine if you are using or offering unauthorized products (including menu items and retail items), kitchen equipment or services. In addition, we expect to receive information from other Smoking Pig BBQ restaurants or from customers of your Restaurant reporting that unauthorized products (including menu items and retail items), pieces of kitchen equipment or services are being used, offered or sold in the Restaurant. You must permit us or our agents, at any reasonable time, to remove a reasonable number of products (including food or non-food items) or pieces of equipment from your Restaurant free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6). In addition, to maintain the highest degree of quality and service, we reserve the right to charge you an additional fee of \$2,500 if we inspect your Restaurant and you do not pass the inspection for a second time in any two-year period. We reserve the right to take whatever action we deem necessary in our absolute and sole discretion to prevent you from using, offering or selling unauthorized products (including menu and retail items), supplies, kitchen equipment or services, including seeking injunctive relief or terminating your Franchise Agreement.

We may derive profit through markups of the prices charged to you for products, supplies, kitchen equipment, signage (including vehicle graphics) or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require you to buy from us, the product’s price and quality will be comparable to similar products from other sources. We may take a portion of that income to spend on advertising or place it in a separate franchise advertising account. If we require you to buy products, supplies, kitchen equipment or services from a vendor that pays such allowances, at our discretion, we may spend all such fees on related advertising or place them in the separate franchisee advertising account, described in Item 11 below. If we do not require the purchase, we need not place such fees in a separate account or use them on advertising but may retain them. We are not required to apply these funds to advertising or place them in a separate franchise advertising account but will use our reasonable discretion in making such decision. We did not receive any such revenues from required purchases made by franchisees in the prior fiscal year.

To maintain uniform quality standards, all products, kitchen equipment, Vehicles, services, signage (including vehicle graphics), advertising, trademark usage, trade dress, uniforms and other supplies and services you use to operate your Restaurant must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, rewards and/or loyalty programs, community programs, gift certificate or gift card programs we may establish and follow our and supplier requirements and guidelines. We will require you to use specific software, miscellaneous forms, take-out menus, contracts, checklists, marketing and promotional items; and we may require you to use or contribute to specific POS and technology support service providers, music service providers, security alarm providers, laundry service providers, merchant service providers, vendor discounts, allowances and rebates.

We maintain specifications for the construction and build out of your Restaurant, leasehold improvements, furnishings and fixtures, kitchen equipment, technology items (such as: computers or laptops, POS system, flat

screen televisions, camera surveillance systems, security alarm system, sound system, phone system, etc.), software, signage and décor to be used for the interior and exterior of your Restaurant. You may not install or permit to be installed on the Restaurant premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. In most cases, we will make available the specifications which contain confidential and proprietary information to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either through our research and development staff or with a manufacturer and we can modify any of them periodically.

One of our primary methods of communication with franchisees is through email, memos or newsletters we may periodically publish, and an intranet system we may provide to franchisees on our website. You are responsible for knowing all the information contained in the emails, memos, newsletters and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Restaurant through our memos, newsletters and intranet system as well as by written notices and emails described above.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements that we prescribe in our Operations Manual. You must submit samples of all advertising or promotional plans and materials (including photographs and videos) that you desire to use to us for approval if such has not been prepared or previously approved by us. You may not use any marketing or promotional materials (including photographs or video presentations) that we have disapproved. This includes any media or website promotion over the Internet to promote your Restaurant. You must submit a request to us for any type of media, website and/or Internet promotion you wish to do in addition to any proposed edits, changes or updates to your web page. Internet promotions, edits, changes or updates to your web page must be done by us, our affiliates or approved vendors with our consent. We will charge a fee for this approval (as described in Item 6). Upon approval of your request, you may be responsible for any web page maintenance cost. Our response to your request for such advertising or promotional plans and materials (including photographs or video presentations) and Internet promotions, edits, changes or updates to your web page will be made within 30 days after we receive it. We will notify you by email or any other written form of communication of our approval or disapproval. In addition, you must not conduct any advertising without our written permission, in any Social Media such as Yelp, Twitter, Facebook, Instagram, LinkedIn, Pinterest and others (currently franchisees are authorized to participate on Facebook, Twitter and Yelp). You must also supervise your employees to assure they do not post any material on Social Media sites or any internet sites, regarding us or the franchise System whatsoever. We will provide you with our written standards and guidelines for using social networking sites during the initial franchise training program.

For a Smoking Pig BBQ, you are obligated to purchase and/or lease kitchen equipment, furniture and fixtures, technology items (as described above) software, signage, Vehicle and vehicle graphics, uniforms and an inventory of products and supplies for the operation of your Restaurant. You may also be able to use your existing vehicle so long as such vehicle meets our Vehicle appearance standards. Otherwise you will need to purchase a new or used Vehicle for your Business. We will provide you with a written list of Vehicle appearance standards during the initial training program. Vehicle appearance standards are outlined in the Operations Manual and are based on our sole judgment and discretion based on the experience of our company-owned businesses. Failure to adhere to all such Vehicle specifications may put you in default under your Franchise Agreement. We estimate that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 27%-57% of your total initial purchases, depending on whether you choose to lease or purchase your POS system and kitchen equipment and if you purchase a Vehicle. We anticipate that during the operation of your Restaurant, required purchases from us, our affiliates or the vendors that we specify or approve (not including your lease, royalties or labor costs) are estimated to be

approximately 26%-46% of your total monthly purchases in the continuing operation of your Restaurant (this depends on the size of your Restaurant, amount of inventory your purchase and sales volume).

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. We do not belong or require you to belong to, any purchasing or distribution cooperatives, although we retain the right to establish them and to require your membership therein.

When you open a location for your franchise under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us (provided such assignment shall not relieve you of your obligations under the lease or cause us or our designee to have any obligations or liability under the lease).
2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease, to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

Before you open a Smoking Pig BBQ for operation, you must obtain the insurance coverage for the Restaurant as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$2,000,000 per occurrence and \$4,000,000 aggregate;
2. "All Risks" or "Special Form" coverage for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
3. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount that covers the assets of the Restaurant;
4. Product liability insurance that covers you for damages that result in injury from products that you provide with a minimum policy limit of \$2,000,000 per occurrence and \$4,000,000 aggregate or an amount we reasonably specify;
5. Employer liability insurance that covers you and your Restaurant against claims made by employees for work-related bodily injury or disease, other than liability imposed on you and your Restaurant by workers compensation law;

6. Employment practices liability insurance that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
7. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.
8. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising fees and other fees due to us and/or our affiliates), or attributable to prevention of access to the Restaurant, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business interruption insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners.
9. Automobile liability coverage including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$2,000,000 for hired and non-owned coverage including uninsured motorist with a minimum of \$100,000 limit or what is in accordance with your state guidelines;
10. Professional liability insurance (optional) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$500,000 or an amount we reasonably specify;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Tenant's liability insurance, if such insurance is required by the terms of your lease (if applicable);
13. Any other Insurance required by the state or locality in which the Restaurant is located and operated in such amounts as required by statute; and
14. Other insurance coverage, as we, your state or the landlord may reasonably require.

With regard to any construction, renovation, or remodeling of the Restaurant, you will be required to maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All policies must name our affiliates, as additional insureds and us and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name our affiliates and us as an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Restaurant or 270 days following the date that the Franchise Agreement is executed. You must purchase not less than "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without thirty days prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of our insurer and us.

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.

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	Sections XII.S and XX.C. of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section VIII of Franchise Agreement	Items 7 and 8
(c) Site development and other pre-opening requirements	Sections VIII, XII.T, XX.C. of Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section XX.A. of Franchise Agreement	Item 11
(e) Opening	Sections IX.B and XII.G of Franchise Agreement	Item 11
(f) Fees	Sections IX and X of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	Sections XII.A and XII.H. of Franchise Agreement	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections XV and XVI of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section XII.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	None	None
(k) Territory development	Section VI of Franchise Agreement	Item 12
(l) On-going product/services purchases	Section XII.I. of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section XII.E. of Franchise Agreement	Item 11
(n) Insurance	Section XIII of Franchise Agreement	Items 6 and 7
(o) Advertising	Sections X.B, XII.L and XX.J. of Franchise Agreement	Items 6, 7, and 11

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
(p) Indemnification	Section XVIII of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections XII.F and XII.K. of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section XIV of Franchise Agreement	Items 6 and 11
(s) Inspections/audits	Sections XII.Q and XIV.B. of Franchise Agreement	Items 6 and 11
(t) Transfer	Section XXII of Franchise Agreement	Items 6 and 17
(u) Renewal	Section VII.B. of Franchise Agreement	Items 6 and 17
(v) Post-termination Obligations	Section XXIV of Franchise Agreement	Items 17
(w) Non-competition covenants	Section XIX of Franchise Agreement	Items 17
(x) Dispute Resolution	Sections XXV.C. and XXV.D of Franchise Agreement	Items 17

ITEM 10 **FINANCING**

Neither we, nor our affiliate currently offers, directly or indirectly, any financing arrangements to you. Neither do we guarantee your note, lease, or any other obligation for a single franchise. We may assist franchisees in obtaining financing in the future or make other financing arrangements available to you. If we do, you will be free to accept or reject such financing

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING,**

Except as listed below, we [the Franchisor] need not provide any assistance to you under the Franchise Agreement.

Before you open your Restaurant, we will:

- (1) Provide you with written guidelines for site selection. You must, on your own initiative and at your own expense locate, obtain and occupy the site and negotiate the lease for your Restaurant. Unless indicated otherwise all references to “lease” include a sublease and any master lease. You must select the site for your Restaurant within the protected territory provided in the Franchise Agreement or within a specific facility if you choose to operate out of a Non-Traditional Location (as described in Item 12). We currently do not own the site and lease it back to you. You may not sign a lease for the site (or contract to purchase the premises, if applicable) in which you wish to operate your Restaurant until you have obtained our written approval. Additionally, you must not invest any money for the site in which you have not received our written approval. We must accept the site if

we feel in our total discretion that it meets or exceeds our standards, but our acceptance does not ensure that your Restaurant will be profitable at the approved location. If we do not approve the site, you will have a second opportunity to locate a site. If we do not approve the second site, we may terminate the Franchise. The factors that we consider in acceptance of the site include population density, demographics, traffic patterns, convenience, adequate parking, safety, zoning ordinances, neighborhood (or for non-traditional locations surrounding businesses) and physical characteristics of the premises such as size and layout. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive your request (Franchise Agreement, Sections XII.S and XX.C).

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your Restaurant will be profitable or successful by being located at the approved site. Any approval indicates that the proposed site meets our minimum criteria based upon our general business experience.

- (2) Insert the accepted site on your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:
 - (i) the site which you have submitted for the Restaurant is a suitable site based upon criteria we establish periodically; and
 - (ii) you and your Owners are in compliance with the Franchise Agreement.
- (3) Approve the lease for the Restaurant premises. You must submit the lease to us for our approval at least ten days before you sign the lease. You must send us a signed copy of the lease within five days of both parties signing the lease. We do not offer legal service to you and you should consult your independent legal counsel for a legal review of the lease (Franchise Agreement, Sections XII.S and XX.C).
- (4) Offer you guidance when applying for licenses, permits, certifications, inspections and notifying your state of your proposed Restaurant. It is your responsibility to comply with all laws, ordinances and regulations, as you are responsible for obtaining all necessary approvals, certifications, licenses and permits to operate your Restaurant (Franchise Agreement Section XX.C).
- (5) Inform you of any of our mandatory specifications, architectural and design plans, floor plans, interior and exterior signage, décor, designs and layouts for the Restaurant at the accepted location. We will provide you with guidelines for the design and layout of your Restaurant and you will need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements, at your cost. You will be required to confirm that your Restaurant satisfies all state and local zoning ordinances, regulations, fire, health, and building codes. We must review and approve your final set of drawings. It is your responsibility to comply with all laws, ordinances, and regulations, zoning and building codes for your Restaurant (Franchise Agreement, Section XII.T and XX.D).
- (6) Provide you with specifications for products, supplies, kitchen equipment, furnishings, fixtures, technology items (as described in Item 8), software, signage (including vehicle signage) and uniforms necessary for the operation of your Restaurant. You are obligated to repair and maintain all kitchen equipment, technology items and related software necessary for the operations of your

Restaurant. You will be responsible for these expenses as these expenses are necessary for the operation of your Restaurant. We will deliver these written specifications for the above items, and you are responsible for the delivery and installation of these items. You are required to lease and/or purchase the items listed above from us, our affiliates and/or our approved vendors (Franchise Agreement Sections XII.I, XX.A, XX.D and XX.I).

- (7) Provide you with a written list of Vehicle appearance standards (which include our vehicle graphic specifications). You are responsible for the cost of the Vehicle and the purchase, installation and cost of all vehicle graphics. We do not install any graphics on your Vehicles (Franchise Agreement, Sections XII.H, XII.I, XII.U, XX.A and XX.H).
- (8) Provide you with a written list of our approved products (including menu items and retail items), supplies, kitchen equipment and services you are authorized to use, offer and sell; and a written list of approved vendors and suppliers to purchase and/or lease products, supplies, kitchen equipment and services from (as defined in Item 8) that you are authorized to use or sell in your Restaurant. We will also provide you with a written list of recipes and food preparation and presentation standards. We will train you on strategies when leasing and/or purchasing such items for the operation of your Restaurant. You are responsible for the cost, delivery and installation of these items as they are necessary for the operation of your Restaurant. You are required to purchase the items listed above from us, our affiliates and/or approved vendors or suppliers (Franchise Agreement XII.I, XX.A, XX.H and XX.I).
- (9) Provide you with a written list of cleaning standards and recommended procedures for training employees in addition to general guidance. You are responsible for all day-to-day activities, including hiring, training, disciplining and/or firing your employees. Neither you nor your employees are our employees. You are responsible for all employees you hire, determining their compensation, hours of work, determining their benefits, tax withholding and their behavior during the operation of your Restaurant (Franchise Agreement Sections XII.F, XII.H, XX.A and XX.E).
- (10) Offer certain training programs designed to assist you and your management staff in the operation of your Restaurant. We will also provide continuing education to any new manager of your Franchise. We may require that you (or if you are a corporation, a limited liability company or partnership, then its officer or shareholder, member or managing member, or managing partner) and any manager(s) complete refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).
- (11) Provide you with our initial training program, no earlier than 90 days before your Restaurant opens for operation, designed to assist you and your management staff in the operation of your Franchise, at no additional charge. The initial training program is designated for you, one Owner (if you are an Entity), one manager or any combination thereof (a total of 3 people). If more than three people attend the initial training program, we may impose a training fee of up to \$200 per person for each day of training (Franchise Agreement, Section XX.A).
- (12) Advise you of operating problems of a Smoking Pig BBQ business disclosed by reports submitted to us or inspections made by us. We will furnish to you such guidance and assistance in connection with the operation of your Restaurant, as we deem appropriate. Such guidance and advice will include methods and operating procedures utilized by other Smoking Pig BBQ restaurants with regard to: ingredients, recipes, menu items (including food preparation), products, services, supplies, and using and maintaining kitchen equipment; leasing and/or purchasing guidelines, marketing strategies, efficiencies to manage high volume, service standards, training employees, general

operating procedures, record keeping, accounting and inventory control methods. You must pay all costs and expenses associated with these items. We will make additional guidance and assistance available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections XII.J, XX.A and XX.E).

- (13) Loan to you during the term of the Franchise Agreement one copy of our confidential and proprietary Operations Manual, which may include one or more manuals and other written materials for the operation of your Restaurant, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products (including recipes, menu and retail items), supplies, kitchen equipment and services, as well as changes in specifications, standards and operating procedures of a Smoking Pig BBQ restaurant. You must keep the Operations Manual confidential and current and may not copy or distribute any part of the Operations Manual. The Operations Manual contains 370 pages and the current table of contents as of our last fiscal year end is included with this Disclosure Document as Exhibit E (Franchise Agreement, Section XX.G).
- (14) Deliver to you a web page for your Franchise operations that may include portals online for additional training, ongoing news bulletins and templates for advertising materials to support your Restaurant (Franchise Agreement, Sections IX.A and XX.B).
- (15) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us that are submitted by you (Franchise Agreement, Sections XII.L, XX.A and XX.J).
- (16) Provide, up to five days of either pre-opening or grand opening assistance to you and your staff at your Restaurant. Such assistance will be provided to you as part of our initial franchise training program and at our cost (Franchise Agreement Section XX.A).

During your operation of the Restaurant, we may:

- (1) Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to food preparation, menu items, products, services, kitchen equipment operation, operational, sales and marketing matters and personnel issues related to your Restaurant. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Section XX.A).
- (2) Monitor the operation of your Restaurant and inspect the inventory of products, supplies and kitchen equipment at your Restaurant, then advise you of the results for each inspection, at our cost. If you fail the inspection twice in any two-year period, we may charge you a fee of \$2,500 (as described above in Item 8). If we have not inspected your Restaurant in the past twelve months and you would like to have an inspection performed, you will need to notify us in writing and we will perform the inspection within three months of your request. For any inspections that you request, the cost of the inspection will be at your expense which will include transportation, room and board and miscellaneous expenses incurred by us (Franchise Agreement Sections X.I, XII.I, XII.Q and XX.A).
- (3) Provide to you and your manager(s), refresher and/or continuing education meetings at locations designated by us, which we expect to be our headquarters with a fee of \$200 per person per day plus

our expenses, which can vary from area to area. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria (Franchise Agreement, Section XX.A).

- (4) Conduct quarterly meetings or an annual convention at such place as shall be designated by us, at our current fees, which can change based on our cost (Franchise Agreement, Section XX.A).
- (5) Establish a franchise elected peer group whose main purpose is to mentor and support each other.
- (6) Provide an intranet system, free of charge, to answer questions from you or your staff (during regular business hours, Pacific Time Zone). In addition, you will be able to send us questions and suggestions using Internet email (Franchise Agreement, Sections XX.A).

During your operation of the Restaurant we will:

- (1) Continue to consult with you at no additional charge regarding policies, products (including menu items and retail items), supplies, food preparation and presentation, kitchen equipment, vendor and supplier relationships, industry developments, sales, advertising, marketing and promotional strategies as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Section XII.V and XX.A).
- (2) Provide you with updated and written lists of approved products (including menu items and retail items), supplies, kitchen equipment, services (as described in Item 8) that you are authorized to use, offer and sell in your Restaurant. We will also provide you with updated Vehicle appearance standards (including our vehicle graphic specifications). We will continue to add and approve new vendors and suppliers and will provide you with updated and current lists of such approved vendors and suppliers you are allowed to purchase from for all products, supplies, kitchen equipment and services for the operation of your Restaurant. We will provide you with such updated lists, but not the actual items as you are responsible for purchasing and/or leasing such items. We will continue to approve products (including menu items), supplies, kitchen equipment, vendors and suppliers you may use, offer and sell in your Restaurant. You may be responsible for paying any costs related to testing any samples as described in Item 8 (Franchise Agreement, Sections XII.H, XII.I, XII.J, XX.H and XX.I).
- (3) Provide you with minimum inventory requirements (currently not in effect) and suggested pricing for all products (including menu and retail items) and services you offer in the Restaurant. We may establish minimum and maximum prices you can charge to the extent allowed by law. We will continue to research new products (including menu and retail items) and services for the System as we deem necessary (Franchise Agreement, Section XX.K).
- (4) Provide you with updated and approved recipes, food preparation and presentation standards. We will provide you with such standards and specifications and you are responsible for purchasing all products or supplies that may be necessary to implement such standards at your expense (Franchise Agreement, Section XII.H and XX.A).
- (5) Provide a dedicated telephone line for franchisees, free of charge, to answer questions from you or your staff (during regular business hours Pacific Time Zone). You will be able to contact us for questions, suggestions and guidance (Franchise Agreement, Section XX.A).

- (6) Review and approve advertising and promotional materials in addition to any promotions, edits, changes or updates to your web page that you submit to us (Franchise Agreement, Sections XII.L, XII.H and XX.J)
- (7) Provide continuing education to any new manager of your Restaurant as noted in paragraph 14 (iv) below. We may require that you (or if you are an Entity or an Owner) and any manager(s) to complete refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).
- (8) Offer you guidance in establishing and using administrative, record keeping and accounting procedures in accordance with our Operations Manual, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section XX.A).
- (9) Provide you with all update and upgrade requirements for your technology items (as described in Item 8) and all related software in response to changes in the Operations Manual or changes in our policies that we communicate to you in writing. You are required to purchase such items to operate your Restaurant. The cost of such technology items ranges from \$13,000-\$40,000 (see Item 7). We estimate that the cost for hardware and software upgrades for such items is approximately \$500 per year. If we develop proprietary software in the future, we will provide you with update and upgrade requirements, however we are not obligated to perform any maintenance or provide any updates or upgrades to any third-party technology items or software programs you use in the operation of your Restaurant. We are not obligated to provide hardware repairs to the technology items that you use. We reserve the right to have independent access to all information that you store in any POS system, computer, laptop, tablet or software related to the Restaurant (Franchise Agreement Sections XII.I and XX.A).
- (10) Reserve the right at our discretion to institute, maintain, and administer a System Advertising Fund (referred to as the “Fund”) to support ongoing technology and new products (including menu items) development to be made available to franchisees and such national advertising as we, in our sole discretion, may deem appropriate to promote the Smoking Pig BBQ name to benefit all franchised businesses as described in Item 6. We will direct all such programs and will have sole discretion over the creative concepts, materials and endorsements and media used in such programs, and the placement or allocation of such programs. The source of the advertising will come from our in-office advertising department or may in the future come from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs (Franchise Agreement, Section X.B).
 - (i.) You will pay us 1% of Gross Revenues per week for the System Advertising contribution, paid to us, as designated in the Franchise Agreement. We may raise, discontinue or reduce the contribution, but your total contribution will not exceed 3% of your Gross Revenue per week in any calendar year for the term of the Agreement. Contributions are due by the end of day each Tuesday (for the prior week) which will start immediately once your Restaurant is open for operation then continues for the term of your Franchise (as described in Item 6). Refer to Item 6 for definition of Gross Revenue. All franchisees pay the System Advertising contribution at the same rate and under the same terms as the Royalty Fee described above. System Advertising Fees are uniformly imposed on all franchisees.

- (ii.) The contributions will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new products (including recipes and menu items), kitchen equipment and technologies; product development, market research, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. Usage of the Fund will include ongoing development of the national website and development of new products to be made available to franchisees. We may disseminate advertisements in the form of print ads, signs, billboards, radio and television and we may conduct such advertising on a regional or national basis. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Smoking Pig BBQ franchises in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use.
- (iii) In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on System Advertising Fund usage and advertising policies. We retain all operational and decision-making authority concerning advertising and the Advisory Council will serve only in an advisory capacity. The membership of any Franchise Advisory Council will be national in scope. The Advisory Council will not be separately incorporated, and therefore, it will not have any written documents. If one is formed we will have the power to select and approve the members and to form, change, dissolve or merge the Advertising Council as described below.
- (iv) Neither we nor any Franchise Advisory Council undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by franchises operating in such geographic area or that you or your Restaurant will benefit directly or in proportion to your contribution to the Fund. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. When the Fund is established and activated, all Smoking Pig BBQ restaurants owned by us or any of our shareholders or officers must contribute to the Fund in the same proportion as all franchisees.
- (v) Any sites we own will have the same voting rights as franchisee members. We administer the Fund, which is not audited. All interest earned on monies contributed to the Fund may be used to pay advertising and technology development costs before other assets of the Fund are expended. Fund contributions are not used to sell additional franchises. We will prepare an annual un-audited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request. All financial statements will be available 120 days after the end of our fiscal year. We reserve the right not to spend all of the funds in the System Advertising Fund in any one year and such funds may be accrued into the next year. The System Advertising Fund has not been established before the date of this Disclosure Document.
- (vi) We may receive advertising and promotional allowances and fees from third party vendors, suppliers and advertisers who enter into cooperative advertising programs with us (and possibly also franchisees.) For example, vendors and/or suppliers may pay promotional allowances for joint advertising promotional material. We may disclose the

identity of vendors or suppliers who pay the promotional allowances to you upon request. In addition, if we require you to buy items from a vendor or supplier who pays these allowances, we may place the funds in the System Advertising Fund or spend it on related promotions. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions and promotional allowances (if we approve) from third parties actually paid into the System Advertising Fund.

- (11) We do not require you to join, participate in and pay into, one or more franchisee marketing councils for your region, determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because, we have not yet formed any franchisee marketing councils, we do not know how the area, or the membership of any franchisee marketing council will be determined. Because we have not formed any franchisee marketing councils, we have not determined whether any of our company-owned businesses will be contributing to any advertising spent by any franchisee marketing council. In the event we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee marketing council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention or exhibition where restaurant and/or food-related products and services are offered or sold, to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets.
- (12) You must spend at least \$1,000 per calendar month on local advertising and promotion, in addition to the 1% System Advertising Fee contribution you pay to us. You must also spend at least \$3,000 on "grand opening" promotion within the first two months after your Restaurant is open for operation; therefore, your local advertising requirement will start the third month after your Restaurant is open for operation. You must report your local advertising expenditures to us by the fifth day after the end of each quarter, or at times, on forms and in the manner we determine.

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within thirty days; if we do not respond within such period then we are deemed to have automatically disapproved all such materials. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees, except that you may not need to follow or maintain any sales price or suggested pricing. You are responsible for any expenses of this independent advertising.

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one Website, as we designate and approve, within our Website. The term "Website" includes: Internet pages, as well as other electronic sites (such as social networking sites like Yelp, Facebook, Instagram, Twitter, LinkedIn, Pinterest, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the Restaurant. If we approve a separate Website for you (currently franchisees are authorized to participate on Facebook, Twitter and Yelp), we will provide you with guidelines for establishing and maintaining such Websites and each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit

- to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; (v) if we require, you must establish hyperlinks to our website and other Websites; (vi) you must not engage in any link building activities unless approved by us; and (vii) we may revoke our approval at any time by providing written or email notice to you of such revocation.
- (13) We estimate that there will be an interval of 270 days between the signing of the Franchise Agreement and the opening of your Restaurant. Factors that may affect this length of time include obtaining a location that is approved by us for your Restaurant, leasehold improvements and build-out, time of year, completion of your pre-market entry study to determine any customization of products (including menu items) and services to be offered through your Restaurant, satisfactory completion of our initial training program by you (or one of your Owners if you are an Entity) and one other manager (you must have a minimum of one manager, of which can be but does not need to be you or one of the Owners of your Franchise) and availability of kitchen equipment, products and supplies. You have 120 days to acquire a lease, at your expense, for commercial real estate that is properly zoned for the use of your Restaurant under the Franchise Agreement. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence satisfactory to us that confirms your affirmative prospects for obtaining the location. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site for your Restaurant and will notify you of the same by email or any other form of written communication. We reserve the right to extend the period for you to acquire a lease as described above based on our reasonable judgment that you will likely find a location. Failure to secure a lease and/or open your Restaurant within the timeframes mentioned above, would constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement. We will give you such default notice, under which we may terminate the Franchise Agreement, in writing.
- (14) Before the opening of your Restaurant, you (or an Owner if you are an Entity) and at least one other manager (you must have a minimum of at least one general manager, of which can be but does not need to be you or one of the Owners of your Business) you designate are required to attend our three-week initial training program at our corporate headquarters in Fremont, California unless such headquarters is moved. We maintain a regular calendar for the training program. We hold the training program approximately six to eight times per year (or more frequently if needed). The training program is included in your Initial Franchise Fee. You are responsible for all costs associated with attending the program such as travel, room and board.
- (i.) We may require that you (or your managing partner, managing member, member, or shareholder) and any manager have successfully obtained a food handlers supervisor certification in your home state. A food handler supervision certification is given upon successful completion of food handling and safety training that is necessary for the operation of your Restaurant. You can take such courses in a classroom setting or in some states you can complete them over the Internet.

- (ii.) If any proposed manager does not satisfactorily complete our training program, we will notify you, and you may then select and enroll a substitute manager in our training program. If, during the training program we determine, in our sole discretion, that you (or any Owner if you are an Entity) or any other manager is not qualified to manage a Smoking Pig BBQ business, you have the right to appoint someone else to be trained by us at your expense. If that other person does not satisfactorily complete our training, we have the right to terminate the Franchise Agreement. The criteria that we will use to determine whether we deem you (or your managing partner, member or shareholders) qualified to manage a Smoking Pig BBQ Business includes, but is not limited to, your lack of business experience, your lack of experience in the restaurant industry, your personality makes it difficult for you to service customers or you do not have the appropriate licenses and/or permits to operate a Smoking Pig BBQ franchise. We will send you a written termination notice upon our determination of such disqualification.
- (iii.) After the completion of the initial training program by you, your Owner and/or your manager, we will provide training to any new manager of your Restaurant at your request for which an additional training fee of up to \$200 per day per person may be required. The trainee(s) will be responsible for all costs related to attending training such as travel, room and board. In addition, we have the right to require that you (and if you are an Entity, any Owner) and any other manager(s) complete refresher training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters currently in Fremont, California. There may be an additional cost for refresher training programs. You are responsible for all costs associated with attending such training opportunities we may provide for you such as travel, room and board.
- (iv.) After the opening of your Restaurant, we may provide to you and your personnel, access to information and support through franchise portals online. Support may also be available from our corporate headquarters and we may provide refresher training or continuing education all of which can be done either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education (other than by phone, webinars or video) may have a registration charge to you that will not exceed \$200 per person per day. You are responsible for costs associated with attending the programs such as travel, room and board or our expenses if we come to you. The refresher training and/or continuing education will normally not exceed a day and we expect to have at least quarterly programs subject to special need. The content for the refresher and/or continuing education will cover aspects including but not limited to: new products (including menu items) and services, kitchen equipment maintenance and operation, industry developments, operational and service standards, technology and software developments, promotional and marketing programs, administration and so forth. We may conduct an annual convention in which refresher and/or continuing education will be made available at such place as shall be designated by us for all franchisees but will most likely be at our headquarters. A registration fee for each participant may be required which we will work in good faith to maintain at our cost and you will be responsible for costs associated with attending the convention such as travel, room and board. The registration fee for conferences will not exceed \$500 per person. We may increase the fees charged above based on the increase of actual costs incurred by us.
- (v.) Within 90 days before you anticipate opening of your Restaurant for operation, we will provide training for you as noted in the following training schedule. This training

curriculum is fully detailed in our Operations Manual and may change periodically. The corporate training team will include members of our management team, staff from our corporate headquarters in Fremont, California, members of our website development team, and members from our approved suppliers and service providers.

TRAINING SCHEDULE: AT CORPORATE OFFICES

The Smoking Pig™ Franchise Training Program includes an Operations Manual, hands-on training, presentations, videos and demos. This training curriculum is fully detailed in the Operations Manual and will change periodically.

TRAINING PROGRAM

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. We will make available to you updates to the Operations Manual through various means including online. All the training sessions will be taught by a combination of Paul Reddick who has over 40 years of restaurant and executive management experience; Jessica Zhang who has over 12 years of sales, administrative and restaurant industry experience; Janeth Renteria who has over 14 years of restaurant management experience; Susan Powers who has over 18 years of bookkeeping, administrative and tax industry experience; and Kassandra Shreve who has over 15 years of administrative experience all of whose backgrounds are described in Item 2 above. Occasionally, different guest speakers may make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees, vendors or industry experts.

Subject	Hours of Classroom Training	Hours of On the Job Training	Instruction	Location
The Smoking Pig BBQ Culture, Standards and Philosophy	1 Hour		Presentation, Demos and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Smoking Pig BBQ Menu and Overview of all Products	3 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Approved Vendors and Suppliers	2 Hours		Presentation, Operations Manual and Various Speaker	Corporate headquarters in Fremont, California or as we otherwise specify
Kitchen Equipment Specifications, Operation and Maintenance	1 Hour	3 Hours	Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Ordering Inventory and Controlling Food Cost	2 Hours	6 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Food Preparation, Recipes and Back of House Procedures		90 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify
Smoker Operation	1 Hour	8 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify

Front of House Operations, Supervisor Responsibilities and Handling Complaints	3 Hours	15 Hours	Presentation, Operations Manual, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify
Food Server, Busser and Greeter Training and Service Standards	1 Hour	12 Hours	Operations Manual, Demos, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify
General Manager Responsibilities and Quality Control	5 Hours	16 Hours	Presentation, Operations Manual, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify
Legal and Regulatory Issues	4 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Catering Services and Sales	2 Hours	16 Hours	Presentation, Operations Manual, Various Speakers and On the Job Training	Corporate headquarters in Fremont, California or as we otherwise specify
Safety, Health, Sanitation and Cleanliness Standards*	1 Hour	4 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Recommended Pricing for all Food and Beverage Products	6 Hours		Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Scheduling and Controlling Labor Costs	4 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
POS System and Software Training*	2 Hours	10 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Advertising, Marketing and Promoting Your Restaurant	6 Hours		Presentation, Various Speakers and Marketing Plan Creation	Corporate headquarters in Fremont, California or as we otherwise specify
Interviewing, Hiring, Training and Employee Management	4 Hours	6 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Administrative and Record Keeping Responsibilities	8 Hours	8 Hours	Presentation, Operations Manual, On the Job Training and Various Speakers	Corporate headquarters in Fremont, California or as we otherwise specify
Total Hours**	56 Hours	194 Hours		

*Additional software training may be provided to you online and performed by our approved vendors after the initial training above is completed.

**The actual hours of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class or depending on your experience.

Additional Assistance:

In addition to the initial training program mentioned above, we will provide up to five days of assistance and guidance to you regarding food preparation and service standards while at your Restaurant for either pre-opening or grand opening assistance, at no cost to you. For your second and subsequent Restaurant that you open we will (at your option) provide the same type of assistance at your location, however you will be responsible for all actual wages and travel expenses incurred by us. We will provide you with invoices for amounts you owe to us and we may require you to pre-pay all or a portion of the actual amounts owed.

Ongoing Training:

We will provide you with memos and/or newsletters that will contain ongoing training relating to your Restaurant and access to additional or refresher training programs that may be conducted through the telephone, webinars or video training at no cost to you. In very rare instances, we may periodically require that you or your Owners (if you are an entity) and/or general manager to complete additional or refresher training programs to correct, improve or enhance the operations of your Restaurant. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board (as described in paragraph 14 (iii) above).

ITEM 12 **TERRITORY**

You must operate your Smoking Pig BBQ Restaurant within the specific location identified in your Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees and company-owned businesses we operate or from other channels of distribution or competitive brands that we control. You are awarded a protected territory ("Territory") that will include up to 5 miles driven in any direction from the Franchise Business as defined by Google Maps or a similar mapping program the only exception being Non-Traditional Locations ("Non-Traditional Locations" which are defined as specific facilities such as: hotels, airports, casinos, train stations, universities, stadiums, arenas, theme parks or military installations). If you open a Restaurant within a Non-Traditional location, you are not granted a protected territory as your location will be site specific and you may face competition from other franchises and/or company-owned businesses. We reserve the right to grant a territory that is larger or smaller than the 5-mile area described above, to account for more densely or sparsely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). You may not conduct business out of any other location other than the accepted location that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may sell products, (menu items and retail items), serve anyone who comes from anywhere and provide delivery and catering services so long as your sales and services you perform do not result from any Target Marketing (as defined below) activities by you. You can: conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) within your Territory (you are not authorized to conduct off-site events if you operate out of a Non-Traditional Location since your location is site specific, however you may be able to do so under certain circumstances as further described below); and perform catering and delivery services to anyone so long as such services are performed from your Restaurant and within your Territory or within the parameter of your Non-Traditional Location. You may be able to perform off-site events, delivery and catering services in geographic areas outside your Territory or outside the parameters of your Non-Traditional Location under certain circumstances (as described below). You may not relocate your Restaurant without our written consent, which we will not unreasonably withhold or delay. Our consent to your relocation is based on the following factors: population, business potential, traffic patterns, proximity to major roads, demographics of the surrounding area, market penetration or other conditions important to the successful operation of a Smoking Pig BBQ Restaurant, as we deem appropriate and as identified in your Franchise Agreement.

If you are provided with a Territory (you are not operating your Restaurant in a Non-Traditional Location), we cannot either establish a company-owned business, franchise or license another to locate a Smoking Pig BBQ restaurant within your Territory during the term of your Franchise Agreement. If you are operating a Non-Traditional Location, we cannot establish either a company-owned business, franchise or license another to locate a Smoking Pig BBQ restaurant within the parameters of your facility; however, we can do so anywhere outside the parameters of the facility where your Restaurant is located. For clarity, and by way of example only, if you own a Smoking Pig BBQ Restaurant in a Non-Traditional Location, we have the right to establish either a company-owned business, franchise or license another to locate a Smoking Pig BBQ restaurant anywhere outside the parameters of the facility where you operate your Restaurant. The parameters of your Restaurant will normally be the facility in which you lease the space (Franchise Agreement Section VI).

Your Territory (except for Non-Traditional Locations), is determined by population, demographics of the surrounding area, our own assessment of business potential (such as: number of restaurants, residential homes and businesses that are in the area), market penetration or other conditions important to the successful operation of a Smoking Pig BBQ Restaurant, as we deem appropriate and as identified in your Franchise Agreement. We determine your licensed Territory once a location is chosen, and we will not alter it even if there is a population increase or decrease. It will also not be affected by your sales volume. Certain locations, such as major metropolitan areas may have smaller territories of densely populated areas. We must have consented to the location for your Restaurant within your defined Territory or if operating in a Non-Traditional Location within that Non-Traditional Location in writing before you open for operation. Relocation of your Business requires our written acceptance. Our consent to your relocation is based on the following factors: population, business potential, traffic patterns, proximity to major roads, demographics of the surrounding area, market penetration or other conditions important to the successful operation of a Smoking Pig BBQ Restaurant, as we deem appropriate and as identified in your Franchise Agreement.

Establishment of additional Smoking Pig BBQ Restaurants requires our written acceptance. If other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned. You must submit a separate application for each Franchised Business to be established by you. You must pay the initial franchise fee for each additional acquisition mentioned in Item 5 and be in compliance with all of the terms and conditions of your existing Franchise Agreement. We must approve the location of any additional Smoking Pig BBQ Restaurants as mentioned in Items 11 and 12 above.

The Territory described above or if you are operating in a Non-Traditional Location, will affect where you and our other franchisees may solicit for business, sell products and provide services. If you are provided with a Territory, you are encouraged to directly advertise and market to sell products (menu items and retail items), serve people, conduct off-site events within your Territory and provide delivery and catering services within your Territory so long as all products are being prepared, sold and delivered from your Restaurant and catering services are being performed by your Restaurant. If you operate out of a Non-Traditional Location, you are encouraged to directly advertise and market to sell products (including menu items and retail items), serve people and provide delivery and catering services within the parameters of your facility (off-site events are not applicable since you are not provided with a Territory). If you are asked to conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) to promote your Restaurant, perform delivery or catering services (other than third party mobile app platform services, as described below) for persons and/or businesses that are in another geographical area in which there is another franchisee or company-owned business or outside the parameters of your Non-Traditional Location, you must immediately refer that request to the Smoking Pig BBQ restaurant in that geographical area or directly to us. If the other franchisee or company-owned business determines it in the best interest for you to conduct such off-site event or provide delivery or catering services, regardless of whether you operate a Non-Traditional Location, then you can immediately proceed. If there is not a Smoking Pig BBQ restaurant in the geographical area in which you are asked to conduct an off-site event, or the person or business

wants delivery or catering services then you can immediately proceed, however you must be prepared to refer such off-site event, person or business to another franchisee when the unassigned area is purchased. We and other franchisees must refer off-site events, persons and businesses who request delivery and/or catering services and are within your Territory or within the parameters of your facility (if operating in a Non-Traditional Location) to you and reserve the same right to conduct off-site events and provide delivery and/or catering services to persons or businesses that are within your defined Territory if it is determined by you to be in the person's or business's best interest. If other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned.

If during the term of the Franchise Agreement, you are unable to promptly and properly provide products, serve customers, provide delivery or catering services, you must refer such persons to another franchisee in the System or to us. For any default of the Franchise Agreement, as an alternative to terminate, we may modify or eliminate any or all rights that you may have with respect to the protected status of your Territory, effective ten days after delivery of written notice to you. In addition, we may modify or eliminate, the Territory (Franchise Agreement Sections VI, XII.H and XXIII.F).

We may allow you and other franchisees or company-owned businesses to sell products (including menu items and retail items) and offer delivery or catering services through an alternative channel of distribution (such as on mobile app platforms, the Internet or Websites). Currently you are allowed to sell menu items and offer delivery services on third-party mobile app delivery services to anyone from anywhere without compensation to other franchise or company-owned businesses so long as all such menu items are prepared from your Business. Due to the nature of third-party mobile app delivery services you may have no control where such delivery services are performed, however you are required to communicate with such mobile app delivery service providers your geographical boundaries to minimize such delivery services being performed outside your Territory. Traditionally third-party mobile app delivery services will route customer orders to the restaurant closest in proximity to the customers delivery point. If you operate a Non-Traditional location, you are not authorized to sell menu items and offer delivery services on third-party mobile app platforms. We reserve the right to revoke our approval of your use of such third-party mobile app delivery services at any time upon written notice and you will be given 90 days to comply with such requirements at your cost. If you are granted permission to offer, sell and promote products or services (other than menu items on third-party mobile app platforms) through an alternative channel of distribution, per our written approval, you may sell and provide such products and services, using that method, to anyone from anywhere without compensation to the other franchisee or company-owned business so long as all products are prepared and sold from your Restaurant; delivery services are performed within your defined Territory or within the parameters of your Non-Traditional Location; and catering services are performed from your Restaurant and provided within your defined Territory or the parameters of your Non-Traditional Location. We, other franchisees, and company-owned businesses are subject to the same restrictions and reserve the same right to serve and sell products to anyone who comes from anywhere (including on third-party mobile app platforms and selling products through an alternative channel of distribution) and offer services within the boundaries of our and other franchisee's territories without compensation to you. You are prohibited from soliciting business, marketing and selling products or offering delivery and catering services by any means outside of your respective Territory or outside the parameters of your facility if you operate your Restaurant in a Non-Traditional Location; and must not engage in target marketing ("Target Marketing") within the Territory of another Smoking Pig BBQ restaurant (franchise and/or a company/affiliate owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain business through any type of advertisement or marketing, directed at all or a portion of another franchisee's territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

We encourage all Smoking Pig BBQ restaurants when owned by different individuals, to work out a referral relationship and advertising strategy or arrangement if they are within close proximity of each other (defined as being within a ten-mile radius of each other). You must notify us of all such arrangements.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell products (including menu and retail items) and provide delivery or catering services to any business or organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined with any one particular franchisee's territory regardless of the contract amount of products (including menu items) to be provided and/or delivery or catering services to be performed (a "National Account"). After we sign a contract with a National Account, we may, at our option, provide you the option to provide products (including menu items) or perform delivery or catering services to businesses under the National Account contract. If you choose not to provide products (including menu items or retail items), delivery or catering services to the National Account, we may provide such products (including menu or retail items) and perform such services directly ourselves, or through another franchisee or third party even if the products (menu or retail items, if applicable) provided and services performed are within your Territory or within your Non-Traditional Location without compensation to you.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to consumer food shows, conventions or exhibitions where food products are being sold to participate in the cost and benefit of the show. We intend to direct and coordinate all franchisee Internet advertising. All such programs and policies are our proprietary trade secrets. In such programs, we may require that the person acquired through such programs, to be served by the closest or other franchisee and may or may not require franchisees serving the person to do so at a minimum price or pay a reasonable referral fee.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to the right to:

- (1) Advertise, market and sell Smoking Pig BBQ branded products (including menu items and retail items), kitchen equipment (if we choose to develop kitchen equipment in the future) and services in your Territory and/or within your Non-Traditional Location;
- (2) Advertise and offer products (including menu items and retail items) and services to promote the System through the Internet and/or other similar venues no matter where the person is based to brand the System and/or fulfill demand anywhere;
- (3) Sell, distribute or offer anywhere products (including menu items and retail items), kitchen equipment (if we choose to develop kitchen equipment in the future) or services to anyone from anywhere through any alternative or other channel of distribution, other than local restaurant operations providing such products and services whether or not we are using the Marks or System and on any terms, we deem appropriate. We have this right whether or not we are using the Marks or System; or are acting inside or outside your Territory as designated on your Franchise Agreement or within your Non-Traditional Location;
- (4) Develop and distribute any proprietary products and kitchen equipment (if we choose to develop kitchen equipment in the future) that have been branded with our Marks or logo or different branded products through any outlet located anywhere (including, by way of illustration, supermarkets, specialty food stores, discount club chains, retail stores, over the Internet and/or similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and distribute products or

kitchen equipment, you will receive no compensation from us for such sales inside your Territory or within your Non-Traditional Location, unless agreed otherwise agreed by us in writing by us;

- (5) Implement advertising cooperative programs, which may allow us or others to solicit or sell to persons anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory or Non-Traditional Location as designated on your Franchise Agreement, whether or not, using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and
- (7) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other restaurants (including your Restaurant) which are converted to another format or we acquire a similar food establishment, restaurant or other food service related business which will be maintained under the System or otherwise. If we acquire or merge with a business similar to a Smoking Pig BBQ restaurant within your Territory, we will make commercially reasonable efforts to maintain the protected status of your Territory. You will fully participate in any conversion and be subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of any products (including menu items or retail items), services or kitchen equipment (if we choose to sell kitchen equipment in the future) by using the Internet or other similar venue, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar, to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to sell and/or distribute or offer any products (including menu items or retail items), kitchen equipment or services through any alternative channels of distribution without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established and do not presently intend to establish other franchises, licenses or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document that sells or offers similar products or services under a trade name or trademark different from the Marks.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademark is as it appears on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks and any other trade name, trademarks, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

The design “pig wearing sunglasses” is registered on the principal register of the United States Patent and Trademark Office (referred to as “USPTO”) bearing the serial-registration number 87884752-5626818 dated December 11, 2018, owned by Paul Reddick and sublicensed to you. We also claim common law rights in our trademarks based on our prior use. ~~We do not yet have a federal registration for our trademarks. Therefore, our~~

~~trademarks do not have many of the legal benefits and rights of a federally registered trademark.~~ If our right to use any of our trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Marks. We have not yet filed an affidavit of use because our trademarks were recently filed and do not need an affidavit. We do intend to maintain and renew all of our trademark registrations.

There are no effective agreements that limit our right to sublicense you the Marks, other than a perpetual, exclusive, non-transferable, worldwide, royalty free license to use, sub-license, and display the Marks from Paul Reddick pursuant to a trademark license agreement. The trademark license agreement may be modified or terminated if we fail to follow the operating, merchandising and advertising policies, and such other quality standards that are established by Paul Reddick. In addition, Paul Reddick has the right to substitute alternative trademarks for license at any time. Therefore, you may have to change the trademarks that you use in operating your Franchised Business at your expense. The trademark license agreement will remain in effect for as long as we offer franchises, or unless we are in default of the trademark license agreement. The trademark license agreement can be modified if both we and Paul Reddick agree in writing.

Upon termination of the trademark license agreement for any reason, we and franchisees must discontinue all use of the Marks in any form, remove the Marks from our website and any of our franchisees' web pages, modify any and all identification of the Franchised Business with, or reference to, the Marks, and refrain from making any subsequent representation, advertisement or published statement or product sales using or in reference to the Marks, or the business previously conducted using the Marks, and take such action as shall be necessary to change any corporate name, assumed name or equivalent registration which mentions or refers to the Marks, or any mark similar thereto.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial or administrative proceeding involving one of the Marks or if the proceeding is resolved unfavorably to you. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously (Franchise Agreement Section XV.B).

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Restaurant (including on your

Vehicles), and to purchase and install new signs and vehicle graphics in addition to all marketing and advertising materials. We have no liability to you.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document that could materially affect your use of the Marks in the State of California or in any other state. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your Business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling of products (menu or retail items) and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as described in Item 12.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner, we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must also prominently display in your Restaurant that we are not a joint employer of you and that you are solely responsible for all employment-related decisions and matters. You must also identify yourself as the owner of your Franchise by placing your name on the Business and all Vehicles, checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A Franchise of Smoke and Spice Group, Inc." or such other phrase as we occasionally direct.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the Franchise; however, we claim common law copyright and trade secret protection for several aspects of our System, methods, techniques and operational procedures; products (including menu items and retail items), product specifications, recipes, photographs of food, design, décor, graphics, signage, Vehicle appearance standards, graphics contained on your Vehicles, manuals and all related video presentations and materials including advertisement and promotional materials although such materials may not have been registered with the United States Copyright Office. We consider these materials proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any State.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets or claim by any person of any rights in any copyright or trade secret, which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to

exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions to modify, discontinue, or substitute use within a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain trade secrets and confidential information that include our: strategies for site acquisition, build-out, design specifications and décor; distinctive menu items that feature southern-style smoked barbecue dishes and specialty dishes, using proprietary recipes, spice rubs, dressing and sauces; food preparation and presentation standards, cooking techniques, methods and procedures; specifications for all products (including menu items and retail items), supplies and kitchen equipment; purchasing strategies, inventory management systems, vendor and supplier relationships, cost and pricing strategies; procedures for cleanliness, safety, sanitation and quality control; customer service standards, sequence of service methods and techniques; employee hiring, training and retention guidelines; strategies for executing delivery and catering services, operational procedures, our Operations Manual and other written materials, Vehicle appearance standards (including our vehicle graphic specifications), photographs of food, software, website, forms, contracts, record keeping and reporting procedures; fundraising and marketing strategies, proprietary customer acquisition, loyalty and retention programs; catering sales strategies, advertising, marketing and promotional materials; systems and knowledge of, and experience in, the operation and franchising of a Smoking Pig BBQ restaurant (the “Confidential Information”). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us; in the Operations Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new piece of equipment, product (including any type of menu or retail item), recipe, formula, concept, technique, process, photographs, video presentations, promotions, program or improvement in the operation or promotion of your Restaurant, you are required to promptly notify us with all necessary related information, without compensation. However, as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents or independent contractors for any new piece of equipment, product (including any menu or retail item), recipe, formula, concept, technique, process, photograph, video presentation, promotion, program or improvement that we implement throughout the System. You and if you are an Entity, then one of your Owners acknowledge that any such equipment, product (including any type of menu item or retail item), recipe, formula, concept, process, photograph, video presentation, promotion, program or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your Smoking Pig BBQ Restaurant during the term of your Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you and

if you are an Entity, any of your Owners, and the use of nondisclosure and non-competition clauses in employment agreements with your employees and Owners, where enforceable under state law.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement provides that a Smoking Pig BBQ Restaurant must at all times be under direct, day-to-day, full time supervision. We do not require that you personally (or if you are an Entity such as a limited liability company, then a managing Owner of such Entity) be involved in the day-to-day operations of your Restaurant, but your Restaurant must at all times be under the operation of a manager (“General Manager”) whose identity must at all times be disclosed to us. This person must have successfully completed our training program and must use his or her best efforts in the operation of a Smoking Pig BBQ Restaurant.

You are required to retain a General Manager for the operation and management of your Restaurant. The General Manager may, but need not, be you or one of the Owners of the Franchised Business and need not have any set percentage of the equity of the Franchised Business. The General Manager must meet all our standards and criteria for such positions as set forth in the Operations Manual. Your General Manager is responsible for overseeing the general management of the Restaurant and using his or her best efforts in the operation of the Restaurant. This individual and his or her replacements must also satisfy the applicable training requirements as outlined in the Franchise Agreement. We have the right to require that the General Manager and any other manager be at the Restaurant for any inspection we conduct (Franchise Agreement Section XII.F).

If we, in our sole discretion, find that your General Manager is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation. Upon termination of employment of your General Manager, you must appoint a successor within 60 days. Any replacement General Manager (who we may disapprove in our sole and absolute discretion) must be trained by us within 30 days of employment in accordance with our standards. To clarify, any replacement General Manager is to be trained by us at our corporate headquarters or any other location we specify and at your expense.

Our approval of a General Manager other than you is conditioned upon the person entering into a confidentiality and restriction of like business agreement containing covenants like those contained in the Franchise Agreement and Schedule 8 of the Franchise Agreement against engaging in competing businesses and use/disclosure of our Confidential Information during the tenure of employment with you and for a period of three years following the termination of such person’s employment with you. You will provide us with copies of the same upon request.

You may not employ any individual who is at the current time or was at any time during the prior twelve months employed in any back-of-house, front-of-house, managerial or administrative position by us or any of our affiliates or by another franchisee of ours without our prior written consent. As a condition to such consent, you may be required to compensate the former employer for the actual costs and expenses incurred by the employer in connection with the training of any replacement employee.

If you are an Entity, each of your Owners that holds more than 10% interest in the Franchised Business must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement.

ITEM 16
RESTRICTIONS ON LOCATION AND WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because the size of each individual Restaurant will vary, you will have a wide variety of possible sites to choose from which to conduct your business operations with our approval. You may not use the Franchise premises for any purpose other than the operation of a Smoking Pig BBQ Restaurant, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example, incorporating your Franchise operations within the premises of an existing complimentary business.

You must comply with all our standards and specifications relating to the purchase and/or lease, use and sale of all products, kitchen equipment, supplies, furnishings and fixtures, technology items, software, signage and décor items, Vehicles, vehicle graphics, uniforms, printed advertising materials, miscellaneous forms and other items to be used, offered or sold at the Restaurant (See Item 8).

You are required to offer only approved products (including lunch and dinner menu items and retail items) and services specified by us that include but are not limited to: appetizers (such as: chicken wings, nachos, stuffed potatoes, sliders, etc.), a variety of slow-smoked barbecue meats (such as: chicken, spare ribs, beef brisket, pork, sausage, etc.), specialty dishes (such as: Carolina-style pulled pork, pulled chicken, bacon-sausage burgers, etc.), custom combination meals (giving customers the ability to build their own meals), our signature cornbread and side dishes (such as: coleslaw, mashed potatoes, house-cut fries, barbecue beans, mac n' cheese, etc.), a build-your-own meal kids menu, a variety non-alcoholic beverages (such as: carbonated drinks, flavored teas and coffee), our signature desserts (such as puddings, cobblers and pies served by the slice or whole) and limited retail items for sale (such as: bottled dressings and sauces, hats shirts and novelty items) in addition to offering delivery and catering services and other food and beverage products or services as expressly authorized by us in writing or in the Operations Manual, or developed by us as a result of your pre-market entry study to meet the needs of your unique market, and any updates to be incorporated in the Operations Manual periodically. You must prepare, sell and offer only approved products (including menu and retail items) from your Restaurant. You must prepare all menu items in accordance with our recipes, standards, techniques, processes and presentation standards as designated by us. You can conduct off-site events so long as such off-site events are within your Territory (you are not authorized to conduct off-site events if you operate out of a Non-Traditional Location since your location is site specific, however you may be able to do so under certain circumstances as described in Item 12) and must also offer delivery and catering services so long as all delivery services are performed from your Restaurant within your defined Territory or within the parameters of your Non-Traditional Location; and all catering services are performed from your Restaurant and provided to persons or businesses within your defined Territory or the parameters of your Non-Traditional Location. You may also offer additional products (including menu items) that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such products (including menu items) are used or offered and the time to approve or deny your request is described below. We will respond to a written request by you to approve any product (including menu item) or service you wish to use or offer within 30 days after we receive it. We may revoke approval in our sole discretion where an approved product (including menu item) or service does not adhere to our standards as specified in the Operations Manual. We will notify you either by email or any other written form of communication of our approval, disapproval or revocation of any prior approval of any product (menu item) or service.

You acknowledge that you and other franchisees can sell products (including menu items and retail items) and serve anyone who comes from anywhere so long as such products are being prepared and sold from your

Restaurant and such sales do not result from any Target Marketing and you can conduct off-site events within your Territory (see Item 12). You can sell products (including menu and retail items) and provide delivery and catering services at any prices and/or rates you establish as we will suggest pricing and rate strategy and we may establish minimum and maximum prices and/or rates at which you may sell products (including menu items and retail items) and provide services to the extent allowed by federal and state laws. You must discontinue using, selling and offering for sale any product (including any menu or retail item) or service that we may disapprove in writing at any time, whether or not a product (including menu or retail item) being submitted for approval is currently in use. We can and expect to change and/or modify the types of products (including menu items and retail items) and services we authorize. There are no limits on our right to do so. We will inform you by email or by any other form of written communication of such changes and/or modifications. You may not use or offer any product (including menu item or retail item) or provide any service that has not been specifically approved in writing by us; and you may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any vendor or proprietary product or equipment without our prior written consent.

In addition, you acknowledge that we may, in our discretion, allow you and other franchisees or company-owned businesses to sell products (menu and retail items, if applicable), offer and promote delivery and catering services through an alternative channel of distribution (such as on mobile app platforms, the Internet or Websites) provided you adhere to our standards. Currently if you are provided with a Territory (not applicable to Non-Traditional Locations) you are allowed to sell menu items, offer and promote delivery services on third-party mobile app delivery services to anyone from anywhere without compensation to other franchise or company-owned businesses so long as all such menu items are prepared from your Restaurant (as described in Item 12). You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned businesses. If we authorize you to sell products and offer services (other than menu items on third-party mobile app platforms) through alternative channels of distribution, all products must be prepared and sold from your Restaurant; delivery services must be performed within your defined Territory or within the parameters of your Non-Traditional Location; and catering services must be performed from your Restaurant and provided within your defined Territory or the parameters of your Non-Traditional Location. You are not authorized to sell any products or offer any services on the Internet or in any other media, whether now known or hereinafter invented, unless we otherwise approve it.

You must participate in any gift certificate or gift card program or rewards program we establish. You may not create or issue your own gift certificates or cards without our prior written consent.

You must maintain proper permits and licenses to operate a Smoking Pig BBQ restaurant and provide products and services in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

You are encouraged to directly advertise and market to attract business, sell products (menu and retail items) serve persons, conduct off-site events within your Territory and provide delivery and catering services to anyone located within your Territory or within the parameters of your Non-Traditional Location. Regardless of whether you are provided with a Territory or operate out of a Non-Traditional Location, we place no restrictions upon your ability to sell products (menu and retail items), serve customers and perform catering and delivery services to anyone so long as all products are being prepared and sold from your Restaurant (catering services must be performed from your Restaurant only, as described in Item 12) and such services are performed within your Territory or within the parameters of your Non-Traditional Location. In addition, you may be able to conduct off-site events and perform delivery or catering services in other geographical areas outside your Territory or outside the parameters of your Non-Traditional Location under certain circumstances and provided you do so in accordance with our standards (as described in Item 12).

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document. “FA” refers to the Franchise Agreement.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
a. Term of the Franchise Agreement.	FA Section VII.A	FA- 10 years
b. Renewal or extension of the term.	FA Section VII.B	FA- Up to (2) 10-year renewals if you meet certain term requirements.
c. Requirements to renew.	FA Section VII.B	FA - Written notice to us of your intent to renew, full compliance, sign then current form or new franchise agreement, pay a renewal fee, comply with our then current training and qualification requirements, execute a general release; and upgrade the Restaurant to the then current standards. You may be asked to sign a contract with materially different terms and conditions than your original contract (check with FA).
d. Termination by you.	FA Section XXIII.D	FA - If we have materially failed to comply with terms of the FA after 60 days’ notice.
e. Termination by us without cause.	Not Applicable	We cannot terminate your FA without cause.
f. Termination by us with cause.	FA -Section XXIII.B and XXIII.C	FA - We can terminate the FA if you breach a material provision of the FA or fail to open the Restaurant.
g. “Cause” defined; curable defaults.	FA- Section XXIII.B	FA-Violation of health or safety laws upon 72 hrs notice; 5 days for failure to pay amounts owed; 60 days for all other defaults.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
h. "Cause" defined noncurable defaults.	FA- Sections XXIII.C	FA - Failure to agree upon a territory; abandonment of the Restaurant; failure to attend and satisfactorily complete the initial training program; surrender of control; misrepresentation or omission in application; felony conviction; unauthorized assignment; improper assignment upon death or disability; loss of possession of the Restaurant; unauthorized use of Confidential Information; failure to pay taxes or liens; dishonest or unethical conduct; assignment for benefit of creditors; and bankruptcy.
i. Your obligations on termination / non-renewal.	FA- Section XXIV	FA -Cease operating Franchised Business; cease use of Confidential Information and Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver Manuals; assign phone numbers; comply with covenants and see "r" below.
Liquidated damages.	FA- Section XXIV.H	FA – If the Franchise Agreement is terminated prior to its expiration date, you shall be obligated to pay within thirty (30) days of termination or expiration of the Franchise Agreement, a sum determined by adding together the average Royalty Fee payments and average System Advertising Fund Fee payments that were paid to us during the previous twelve (12) months for either the remaining term (or renewal term) of the Franchise Agreement or two years (whichever comes first). If you have not made twelve (12) months of payments to us, then the number of payments you have made will be used to calculate the average of such Royalty and System Advertising Fund Fee payments.
j. Assignment of contract by us.	FA- Section XXII.C	No restriction on our right to assign.
k. "Transfer" by you-definition.	FA- Section XXII.B	FA-Includes transfer of the FA and Business assets by you.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
l. Our approval of transfer by you.	FA- Section XXII.C and XXII.E	FA -We have the right to approve all transfers by you.
m. Conditions of our approval of transfer.	FA- Section XXII.C and XXII.E	FA- Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a release.
n. Our right of first refusal to acquire your Business.	FA- Section XXII.C and XXII.E	FA - We have the right to match any offers.
o. Our option to purchase your assets upon termination or non-renewal.	FA- Section XXII.F and XXIV.G	FA- Purchase for fair market value determined by appraisal if parties are unable to agree.
p. Your death or disability.	FA- Section XXII.D	FA - Franchise must be assigned to approved buyer within six months.
q. Non-competition covenants during the term of the Franchise.	FA- Section XIX.C	FA - No involvement in any competitive business anywhere in the US other than existing business.
r. Non-competition covenants after the franchise is terminated or expires.	FA- Section XIX.C	FA - No interest in competing business for two years within ten miles of any company owned outlet or other franchises.
s. Modification of the Agreement.	FA- Section XXV.J	FA - No modification except by written agreement, Operations Manuals are subject to change.
t. Integration / merger clause.	FA- Section XXV.J	FA – Only terms of the Disclosure Document and Franchise Agreement are binding subject to state law. Notwithstanding the prior sentence, nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document. Any representations or promises made outside of the Franchise Disclosure Document and other agreements may not be enforceable.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
u. Dispute resolution by arbitration.	FA- Section XXV.D	FA- Arbitration and mediation in Alameda County, State of California (subject to State law).
v. Choice of forum.	FA- Section XXV.G	FA -Litigation in Alameda County, State of California (subject to state law).
w. Choice of law.	FA- Section XXV.G	FA - State of California laws apply (unless prohibited by laws of state where Franchise is located).

ITEM 18 **PUBLIC FIGURES**

We currently 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Paul Reddick, 3340 Mowry Avenue, Fremont, California 94538 (510) 713-1854, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION
Table 1
System-wide Outlet Summary
For Fiscal Years ending 2016 thru 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company- Owned	2016	2	3	+1
	2017	3	3	0
	2018	3	3	0
Total Outlets	2016	2	3	+1
	2017	3	3	0
	2018	3	3	0

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2016 thru 2018

States with one or more Franchises	Year	Number of Transfers
All States	2016	0
	2017	0
	2018	0
Total	2016	0
	2017	0
	2018	0

Table 3
Status of Franchise Outlets
For Fiscal Years 2016 thru 2018

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
CA	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Totals	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Table 4
Status of Company-Owned Outlets
For Fiscal Years 2016 thru 2018

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CA	2016	2	1	0	0	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
Totals	2016	2	1	0	0	0	3
	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3

* “Company-owned Outlets” includes non-franchised restaurant businesses owned and operated by our affiliate. These restaurants are not part of the Franchise System. They may be sold to others or to a franchisee in the future.

** Our fiscal year end is December 31. As of the date of this Disclosure, our affiliate operated three non-franchised restaurant businesses at the locations listed below:

Smoking Pig BBQ
1144 N. 4th St.
San Jose, CA 95112

Smoking Pig BBQ
3340 Mowry Ave
Fremont, CA 94538

Smoking Pig BBQ
530 Newhall #10
San Jose, CA 95110

Table 5
Projected Openings
For the Period Ending December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Current Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
California	0	1	0
Nevada	0	1	0
Totals	0	2	0

A list of the names of all Franchisees and the addresses and telephone numbers of their Smoking Pig BBQ business are listed as Exhibit G to this Disclosure Document. A list of the name and last known home address and telephone number of every franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2018 or who has not communicated with us within 10 weeks of our application date is attached as Exhibit H.

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

At this time, there are no previously owned Smoking Pig BBQ franchised outlets for sale.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

At this time there are no trademark specific franchisee organizations representing Smoking Pig BBQ franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Our certified, independent, audited financial statements for the period from our date of incorporation on April 9, 2018 to December 31, 2018 are attached to this Disclosure Document as Exhibit I. Our fiscal year end is December 31. We have not been in business for three years or more and therefore cannot include all the financial statements required by the Federal Trade Commission franchise rules for our last three fiscal years.

ITEM 22
CONTRACTS

Copies of all proposed agreements regarding the franchise offering are included in the Exhibits that follow and include our Franchise Agreement and those other exhibits shown. This list below is only of documents that are considered agreements and a full list can be found at the end of the table of contents above:

Exhibit A- Franchise Agreement with Schedules
 Schedule 1 - Authorization for Pre-Arranged Payments
 Schedule 5 - Individual Guaranty
 Schedule 6 - Collateral Assignment of Lease
 Schedule 8 - Confidentiality & Non-Compete Agreement
Exhibit D - State Addenda
Exhibit F - Option Agreement

ITEM 23
RECEIPTS

Included as the last document of this Disclosure Document (Exhibit J) and/or as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you.