FRANCHISE DISCLOSURE DOCUMENT

Breakfast Club Franchising, Inc.
a California corporation
1432 West San Carlos Street, Suite 50
San Jose, California 95126
Telephone: (408) 209-9860
Email: oalitis@yahoo.com
Website: www.BreakfastClubFranchising.com

The franchisee will operate a restaurant under the name The Breakfast Club at Midtown™ featuring high quality creative American breakfast and lunch fare, in an up-beat atmosphere and fun, hip environment that is also family-friendly. The total initial investment necessary to begin operations ranges from $611,750 to $945,500 if you sign a Franchise Agreement for a single unit. This includes $40,000 that must be paid to the franchisor or an affiliate. The total initial investment necessary to begin operations ranges from $643,750 to $1,009,500 if you sign an Area Development Agreement. This assumes a development schedule of three to five restaurants and includes a development fee of $72,000 to $104,000 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Spiro Tsaboukos at 1432 West San Carlos Street, Suite 50, San Jose, California 95126; telephone: (408) 209-9860.

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

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

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

Issuance Date: September 5, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

TABLE OF CONTENTS

Exhibits

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT. THE ADDITIONAL DISCLOSURES TO THE FRANCHISE DISCLOSURE DOCUMENT APPEAR IN THE STATE ADDENDA AT EXHIBIT E. THE STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN EXHIBIT D, AND THE STATE SPECIFIC ADDENDA TO THE AREA DEVELOPMENT AGREEMENT, IF ANY, APPEAR IN EXHIBIT E.

ITEM 1.

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, "The Breakfast Club at Midtown," "we" or "us" mean the franchisor – Breakfast Club Franchising, Inc., a California corporation. "You" means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company or other entity, "you" may also refer to its owners. Breakfast Club Franchising, Inc. was formed on September 22, 2022. Our principal business address is: 1432 West San Carlos Street, Suite 50, San Jose, California 95126; telephone: (408) 209-9860.

We do not have any predecessors or parents. We do not have any affiliates that offer franchises or provide products or services to our franchisees.

Our agents for service of process are disclosed in Exhibit B.

Our affiliate, ATG Investments, LLC, a California limited liability company, has operated a restaurant under the name The Breakfast Club at Midtown in San Jose, California since December 2016.

We are in the business of franchising the right to operate restaurants under the name "The Breakfast Club at Midtown™" featuring fresh, creative American breakfast and lunch fare, in an up-beat atmosphere and fun, hip environment that is also family-friendly. The menu currently includes omelets, benedicts, breakfast basics, pancakes, waffles, French toast, crepes, burgers, sandwiches, salads and combinations of items including unique dishes such as Red Velvet buttermilk pancakes topped with cream cheese drizzle and steak benedicts with tender slices of tri-tip steak topped with shoe string onion rings. There are also proprietary The Breakfast Club at Midtown-branded merchandise and products that you display and offer for sale at your location.

If you qualify, we may allow you to sign an Area Development Agreement for the development of three to five The Breakfast Club at Midtown restaurants. In addition to the Area Development Agreement, you must sign our then-current form of Franchise Agreement for each The Breakfast Club at Midtown in your territory. We will charge you the initial franchise fee described in Item 5 of this Disclosure Document for each The Breakfast Club at Midtown location even if we change the initial franchise fee for other franchisees.

We may permit you to conduct delivery or catering activities. We reserve the right to develop a catering program or to permit you to offer delivery services. If we do so, we may require you to participate. Unless we do so, you may not conduct catering activities or delivery service without our consent. We reserve the right to negotiate regional or national accounts with individuals or companies. If we do develop a catering program and require you to participate, you must accept the terms of any regional or national account agreements that we negotiate. If we permit you to offer catering or delivery services, you may only do so in your protected territory. We may occasionally consider granting agreements under different terms for non-traditional locations.

The general market for the goods and services offered by The Breakfast Club at Midtown is the general public and is well developed and competitive. Your competitors include other restaurants specializing in breakfast and lunch offerings and other restaurants serving a wide variety of other foods.

In addition to laws and regulations that apply to businesses generally, you may be subject to regulations relating to the operation of an eating and drinking establishment in your state, city or county, including those governing construction, site location, recognition of income from gift card sales, and redemption, and the sale of food and alcoholic beverages, as well as public health and safety codes and ordinances. These may include menu-labeling laws and regulations. They also include regulations concerning smoking, sanitation, discrimination, employment and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. It is your responsibility to comply with these laws and to obtain approval for an on-premises liquor license for The Breakfast Club at Midtown restaurant before you open for business. You may experience delays in obtaining this license. Some states have quotas on the number of liquor licenses they issue. In these states you may have to acquire a liquor license from a third party at a significant cost and delay. Therefore, you must apply for the license as soon as you are approved as a franchisee.. You may experience delays in obtaining these licenses. Therefore, you should apply for these licenses as soon as you are approved as a franchisee. You should consult with your own independent advisors and the government agencies in your state for information on how these laws apply to you. You must also comply with all data protection and privacy laws. In particular, you may not copy, transfer or use data on current or past customers such as their names, addresses, phone numbers or email addresses, or provide that information to third parties.

We have been offering franchises since November 2022. Neither we nor our affiliates have offered franchises in other lines of business.

ITEM 2.

BUSINESS EXPERIENCE

Manager: Spiro Tsaboukos.

Mr. Tsaboukos has served as our manager since our formation in September 2022. Since 2014, Mr. Tsaboukos has also been the Manager of ATG Investments, LLC which operates The Breakfast Club at Midtown in San Jose, California. Mr. Tsaboukos also owns and operates Lou's Coffee Shop in Los Gatos, California.

ITEM 3.

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4.

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5.

INITIAL FEES

Except as described below, you pay a $40,000 initial franchise fee in a lump sum when you sign the Franchise Agreement for The Breakfast Club at Midtown restaurant.

If you are signing a Franchise Agreement for an additional location after your first location is already open, you pay a reduced initial franchise fee of $32,000 which represents a 20% discount on the standard initial franchise fee.

If you are signing an Area Development Agreement, you pay a development fee. The development fee is the entire initial franchise fee for the first location ($40,000) plus half of the initial franchise fee for each additional location listed on your development schedule ($16,000 each). The initial franchise fee for the first location on your development schedule is $40,000, and when you sign the Franchise Agreement for that location, we will credit you with the entire initial franchise fee for the first location. Except as provided below, the initial franchise fee for each additional location in your development schedule is $32,000. When you sign the Franchise Agreement for such a location, we will credit you with $16,000 for the initial franchise fee, and you must pay the remaining $16,000 for the initial franchise fee for that location. If you are not in compliance with the development schedule (and we do not terminate the Area Development Agreement), you will not receive a discount on the initial franchise fee for additional locations and your initial franchise fee will be $40,000. The amount that you paid for such location when you signed the Area Development Agreement will be credited against that amount.

None of the initial payments are refundable.

ITEM 6.

OTHER FEES

Franchise Agreement

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of gross revenues	Weekly every Wednesday	See Note 1
System Marketing Fund Fee	Up to 3% of gross revenues; currently 1%	Weekly every Wednesday	See Note 2
Initial Training Fee	$300 per day per additional trainee	Upon demand before training	See Note 3
Additional Training Fee	Our then-current fee; currently $500 per trainer per day (at our location) or $750 per day (at your location) plus travel expenses, if any	Upon demand before training	See Note 4
Ongoing Training Fee	$350 per day per person	Upon demand before training	See Note 5
Registration Fee	To be determined	Before attending convention or business meeting	See Note 6
Technology Fee	Up to $100 per week; currently $25 per week	Weekly every Wednesday	See Note 7
Transfer Fee	25% of then-current non-discounted initial franchise fee if buyer is an existing franchisee; 50% of then-current non-discounted initial franchise fee if buyer is a new franchisee; $2,500 if transfer is between current owners or to new minority shareholder	Upon franchisee's application to transfer	See Note 8
Audit Fee	Cost of the audit	Upon demand	See Note 9
Successor Agreement Fee	25% of the then-current non-discounted initial franchise fee	Upon demand	See Note 10
Mystery Shopper Fee	Up to $250 per month	Upon demand	See Note 11

Name of Fee	Amount	Due Date	Remarks
Alternative Supplier Evaluation Fee	Our costs and expenses	Upon demand	See Note 12
Relocation Fee	75% of the then-current non-discounted initial franchise fee plus expenses	50% upon notice of wish to relocate; balance upon franchisor's acceptance of new location	See Note 13
Unauthorized Product/Service Fee	$250 per day	Upon demand	See Note 14
Insufficient Funds Fee	$200 per occurrence	Upon demand	See Note 15
Late Fee	$100 per day	When payment or report is overdue	See Note 16
Interest on Late Payments	Highest rate permitted by law	When payment is overdue	See Note 17
Reimbursement	Our cost	Upon demand	See Note 18
Indemnification	Payment of our losses and costs	Upon demand	See Note 19
Cost of Appraisal	50% of cost	Upon demand	See Note 20
Costs and Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 21
Damages	$50,000.00 plus 6% of gross revenues	Upon demand	See Note 22
Management Fee	10% of gross revenues	Weekly every Wednesday	See Note 23

ALL FEES ARE IMPOSED BY AND ARE PAYABLE TO US, UNLESS OTHERWISE NOTED. WE MAY VARY THE FREQUENCY AND METHOD OF PAYMENT. WE CURRENTLY REQUIRE YOU TO PAY FEES VIA ELECTRONIC FUNDS TRANSFER (EFT) FROM YOUR BANK ACCOUNT AS OF THE DATE THIS DISCLOSURE DOCUMENT WAS ISSUED BUT WE MAY CHANGE THE REQUIRED METHOD OF PAYMENT. ALL FEES ARE UNIFORMLY IMPOSED AND ARE NON-REFUNDABLE, UNLESS OTHERWISE NOTED. YOU MUST ALSO PROVIDE US WITH A DETAILED SUMMARY OF YOUR OVERALL BUSINESS ACTIVITY ON A WEEKLY BASIS WHEN THE EFT PAYMENT IS ASSESSED. IF YOU ARE LOCATED IN A STATE IN WHICH WE DO NOT HAVE AN OFFICE OR OTHER PHYSICAL PRESENCE, AND THE STATE OR LOCAL TAXING AUTHORITY IMPOSES A TAX ON ANY PAYMENT YOU ARE REQUIRED TO MAKE TO US (EITHER BY REQUIRING YOU TO WITHHOLD THE AMOUNT OF THE TAX OR BY REQUIRING US TO PAY IT), YOU MUST PAY US THE DIFFERENCE BETWEEN THE PAYMENT AS ORIGINALLY CALCULATED AND THE PAYMENT WE RECEIVE FROM YOU AFTER DEDUCTING THE TAX IF WE DO NOT

RECEIVE A REFUND OR CREDIT. WE WILL INVOICE YOU FOR ANY SUCH DIFFERENCE. WE DO NOT EXPECT YOU TO PAY OUR INCOME TAX.

Notes:

1. Gross revenues means all revenues you receive from the operation of The Breakfast Club at Midtown (including any payments under your business interruption insurance coverage and condemnation awards), deducting only amounts paid to any governmental tax authority and any employee meals and customer refunds made in accordance with our policy. This includes revenues from food and beverage sales, from sales of products and merchandise and from all other activities conducted by or through The Breakfast Club at Midtown. If we institute a gift card or other loyalty program, you may have to forego receiving revenues from gift card sales you make, but recognize and receive revenues from gift cards redeemed at your restaurant. You must also send us a detailed summary of your overall business activity on a form we designate with each royalty payment.

2. We have established a system marketing fund to which you must contribute a percentage of your gross revenues. As of the date this Disclosure Document was issued, we require you to contribute 1% of your gross revenues to national marketing, but we may increase this amount at any time up to 3% of gross revenues.

3. We do not charge a separate fee for providing initial training to you, your kitchen manager and your front-of-the-house/bar manager, assuming they attend initial training at the same time. We may charge a fee to provide initial training to additional or replacement personnel or to persons who attend at different times.

4. If you request additional training and we agree to provide it or if we determine that you or your personnel require additional training, we may charge this fee.

5. We may require you and your key managers to attend ongoing training up to 10 days per year which may include re-certification. You and your key managers may be required to complete such re-certification training to our satisfaction.

6. We may hold annual national business meetings or conventions each year for which we may charge you a registration fee to offset our costs.

7. This fee may be used to cover the costs of your point-of-sale or back-of-the-office management system and items such as licensing or help desk fees for point-of-sale and other software, mobile app, CRM software, a franchise portal, and exposure on our website. We may collect all or a portion of this fee for a third party vendor.

8. You must pay this fee when you submit an application to transfer your rights under the Franchise Agreement or any interest in an entity franchisee. We retain our expenses if we do not consent to the transfer. If you are an individual and you are transferring to a wholly-owned entity, you do not pay a transfer fee, but you must reimburse us for our out-of-pocket expenses in documenting the transfer. There are other conditions to your ability to transfer. See Item 17.

9. If during an audit we determine that you have underpaid or underreported revenues by 2% or more for the period audited, then you must pay the cost of the audit in addition to any additional royalty fees, system marketing fees and late fees you owe.

10. You must pay this fee at least 90 days before the beginning of the renewal term of your Franchise Agreement. If we do not consent to the renewal of your franchise because you do not comply with all of the conditions to renewal, we will retain this fee. You must be in good standing to renew. There are other conditions to renewal. See Item 17.

11. If we establish a mystery shop program, you must pay the cost of such a program, which we estimate will be up to $250 per month. This cost may increase in the future. We may collect this payment on behalf of the third party provider.

12. If you request our consent to an alternative product or supplier for any products or services you use in The Breakfast Club at Midtown restaurant, you must reimburse us for the costs for us to evaluate and approve the alternative product or supplier, including travel costs.

13. If you request our consent to the relocation of your business, you must pay us 50% of this fee when you submit your request. You must pay us the balance of the fee, if we notify you of our acceptance of the new site. You must also reimburse us any travel expenses for our assistance in evaluating the new site, reviewing your building plans and other services. The payments of this fee are not refundable.

14. You acknowledge that we will incur damages if you offer products or services at The Breakfast Club at Midtown restaurant that are not authorized by us, and that these damages are difficult to estimate or measure. You must pay this fee each day you continue to offer unauthorized products or services.

15. We will collect monies from you via electronic funds transfer. In the event of insufficient funds within your account (or, if we change your method of payment, a returned check) you must pay a fee of $200 per occurrence.

16. If you do not submit any report or pay any amount when due, you must pay a late charge of $100 per day, or the maximum rate permitted by law, if less.

17. If you do not pay any amount when due, we may charge you interest at the highest rate permitted by law until the amount is paid. The maximum rate of interest in California is 10% per annum as of the date this Disclosure Document was issued.

18. If you fail to obtain insurance as required by the Franchise Agreement, we may obtain insurance on your behalf and you must reimburse us for the cost of obtaining such insurance. If you default on your lease and we choose to make expenditures to cure your default, you must reimburse us.

19. You must hold harmless, indemnify and defend us and our affiliates, partners, officers, directors, owners, agents and representatives and pay for any claims and losses to us resulting from your actions or failure to act.

20. If we exercise our right to purchase the assets of your business upon termination or expiration of the Franchise Agreement, and you and we do not agree on the fair market value of the assets, we will jointly select an appraiser and each pay 50% of the cost of the appraisal of the assets.

21. If there is a dispute between us, the prevailing party will be entitled to attorney's fees and costs. If we obtain injunctive relief against you because you breach the Franchise Agreement's provisions concerning use of our trademarks, trade secrets or confidential information or if you do not comply with your obligations under the Franchise Agreement upon termination or expiration, you must also reimburse us for our attorney's fees and costs.

22. If you do not comply with the non-competition provisions for any reason, you acknowledge that we will incur damages that are difficult to estimate or measure and include damage to our brand. We agree that the best estimate is $50,000.00 plus 6% of the gross revenues from the competing business.

23. If you request that we manage The Breakfast Club at Midtown and we agree to do so or if you are in default under the Franchise Agreement and we elect to manage your franchised business, you must pay us our then-current management fee, which, as of the date this Disclosure Document was issued, is 10% of gross revenues during the time that we are managing the franchised business plus our costs and expenses such as lodging and travel expenses of our personnel.

AREA DEVELOPMENT AGREEMENT

Name of Fee	**Amount**	**Due Date**	**Remarks**
Transfer Expenses	Our expenses	Upon demand	See Note 1
Reimbursement	Our cost	Upon demand	See Note 2
Indemnification	Payment of our losses and costs	Upon demand	See Note 3
Costs and Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 4
Damages	$50,000.00 plus 6% of gross revenues	Upon demand	See Note 5

ALL FEES ARE IMPOSED BY AND ARE PAYABLE TO US, UNLESS OTHERWISE NOTED. WE MAY VARY THE FREQUENCY AND METHOD OF PAYMENT. WE CURRENTLY REQUIRE YOU TO PAY FEES VIA ELECTRONIC FUNDS TRANSFER (EFT) FROM YOUR BANK ACCOUNT AS OF THE DATE THIS DISCLOSURE DOCUMENT WAS ISSUED BUT WE MAY CHANGE THE REQUIRED METHOD OF PAYMENT. ALL FEES ARE UNIFORMLY IMPOSED AND ARE NON-REFUNDABLE, UNLESS OTHERWISE NOTED. IF YOU ARE LOCATED IN A STATE IN WHICH WE DO NOT HAVE AN OFFICE OR OTHER PHYSICAL PRESENCE, AND THE STATE OR

LOCAL TAXING AUTHORITY IMPOSES A TAX ON ANY PAYMENT YOU ARE REQUIRED TO MAKE TO US (EITHER BY REQUIRING YOU TO WITHHOLD THE AMOUNT OF THE TAX OR BY REQUIRING US TO PAY IT), YOU MUST PAY US THE DIFFERENCE BETWEEN THE PAYMENT AS ORIGINALLY CALCULATED AND THE PAYMENT WE RECEIVE FROM YOU AFTER DEDUCTING THE TAX IF WE DO NOT RECEIVE A REFUND OR CREDIT. WE WILL INVOICE YOU FOR ANY SUCH DIFFERENCE. WE DO NOT EXPECT YOU TO PAY OUR INCOME TAX.

Notes:

1. If you transfer your rights under the Area Development Agreement or any interest in an entity that is the developer, you must reimburse us for our expenses including our cost to review the application to transfer (including legal and accounting costs and other consultant's fees). You must reimburse us for our expenses even if we do not consent to the transfer. There are other conditions to your ability to transfer. See Item 17.

2. If you fail to obtain insurance as required by the Area Development Agreement, we may obtain insurance on your behalf and you must reimburse us for the cost of obtaining such insurance.

3. You must hold harmless, indemnify and defend us and our affiliates, partners, agents and representatives and pay for any claims and losses to us resulting from the operation of your business.

4. If there is a dispute between us, the prevailing party will be entitled to attorney's fees and costs. If we obtain injunctive relief against you for any reason, you must also reimburse us for our attorney's fees and costs.

5. If you do not comply with the non-competition provisions for any reason, you acknowledge that we will incur damages that are difficult to estimate or measure and include damage to our brand. We agree that the best estimate is $50,000.00 plus 5% of the gross revenues from the competing business.

ITEM 7.

ESTIMATED INITIAL INVESTMENT

FRANCHISEES WHO PURCHASE SINGLE UNITS

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	$40,000	Lump Sum	At signing of Franchise Agreement	Us

Rent (Note 2)	$7,000 - $20,000	As incurred	As incurred	Landlord
Utility & Security Deposits	$3,000 $8,000	As incurred	As incurred	Landlord; Utility Companies
Licenses & Permits	$15,000 - $50,000	As incurred	As incurred	Regulatory Agencies
Liquor License	$25,000 - $40,000	As incurred	As incurred	Regulatory Agency
Design & Architectural Fees	$25,000 - $40,000	As incurred	As incurred	Architects
Leasehold Improvements\ (Note 4)	$150,000 - $200,000	As incurred	As incurred	Landlord; Suppliers; Contractors
Signage	$20,000 - $30,000	As incurred	As incurred	Suppliers
Furniture & Fixtures	$100,000 - $150,000	As incurred	As incurred	Suppliers
POS/Back Office System	$20,000 - $30,000	As incurred	As incurred	Suppliers
Equipment	$100,000 - $150,000	As incurred	As incurred	Suppliers
Professional Services (Note 5)	$2,500 - $7,500	As incurred	As incurred	Attorney, Advisors
Initial Inventory (Note 6)	$28,000 - $40,000	Lump sum	As incurred	Suppliers
Insurance	$1,250 - $10,000	As incurred	As incurred	Insurance Company
Travel & Living Expenses While Training (Note 7)	$15,000 - $20,000	As incurred	During training	Airlines, hotels, restaurants and other vendors
Grand Opening Advertising (Note 8)	$10,000	As incurred	As incurred	Media and other vendors
Additional Funds - 3 Months (Note 9)	$50,000 - $100,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 10)	$611,750 - $945,500			

THE AMOUNTS PAYABLE TO US ARE NONREFUNDABLE UNLESS OTHERWISE NOTED. THE REFUNDABILITY OF OTHER AMOUNTS DEPENDS UPON YOUR AGREEMENT WITH THE APPLICABLE SUPPLIER OR OTHER PARTY.

Notes:

1. If you open additional locations, you pay a reduced initial franchise fee of $32,000 when you sign the Franchise Agreement for each additional location.

2. The estimates in this chart include first and last months' rent and are based on a The Breakfast Club at Midtown restaurant with approximately 3,000 to 5,000 square feet. Locations are typically in strip centers, street front locations and freestanding restaurant locations.

3. This estimate includes amounts needed for construction, remodeling, decorating costs and any other leasehold improvements.

4. This figure includes our estimate of the cost for you to consult with independent legal and other professional advisors.

6. This estimate is also based on a restaurant with approximately 3,000 to 5,000 square feet. The amount of initial inventory you purchase will depend on the size and type of geographic location of your restaurant and the demographics of the population in the area.

7. This amount includes our estimate of the cost for a total of up to three people to travel to initial training. This amount varies depending on how far you are from our training location in San Jose, California and on the number of people attending training.

8. This figure is the amount that you must spend on marketing and promotions during the period 15 days before you open your business and 30 days after the opening of your business.

9. This estimates the amount required for initial operating expenses and working capital for three months. These expenses include payroll costs, but do not include any salary for you or your owners. We base our estimate of these expenses on research of current standards and adaptations of our affiliate, ATG Investments, LLC's experience. This is not a breakeven analysis. You may have additional expenses in starting the business.

10. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market, the prevailing wage rate, competition, and your customers. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

FRANCHISEES WHO SIGN AN AREA DEVELOPMENT AGREEMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee (Note 1)	$72,000 - $104,000	Lump Sum	At signing of Area Development Agreement	Us
Estimated Initial Investment for First Restaurant	$571,750 - $905,500	See above	See above	See above
TOTAL (Note 2)	$643,750 - $1,009,500			

ALL FIGURES IN ITEM 7 INCLUDE THE INITIAL INVESTMENT EXPENSES OF YOUR AREA DEVELOPMENT BUSINESS AND YOUR FIRST THE BREAKFAST CLUB AT MIDTOWN RESTAURANT. THE AMOUNTS PAYABLE TO US ARE NONREFUNDABLE UNLESS OTHERWISE NOTED. THE REFUNDABILITY OF OTHER AMOUNTS DEPENDS UPON YOUR AGREEMENT WITH THE APPLICABLE SUPPLIER OR OTHER PARTY.

Notes:

1. If you are signing an Area Development Agreement, you pay a development fee. The development fee is the entire initial franchise fee for the first location listed on your development schedule ($40,000), plus half of the initial franchise fee for each additional location listed in your development schedule ($16,000 each). The initial franchise fee for the first location on your development schedule is $40,000, and when you sign the Franchise Agreement for a location, we will credit you with the entire initial franchise fee for that location. The initial franchise fee for each additional location on your development schedule is $32,000, and when you sign the Franchise Agreement for each such location, we will credit you with $16,000 for the initial franchise fee for that location and you must pay the remaining $16,000. The range presented assumes a development schedule of three to five franchised locations and assumes you are not in default of your development schedule. If you are in default of your development schedule and we permit you to open a new restaurant, you must pay the undiscounted initial franchise fee for that location.

2. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market, the

prevailing wage rate, competition, and your customers. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

We do not offer direct or indirect financing to franchisees for any items.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Products, Services and Suppliers

You must purchase all proprietary branded products that we designate from us or our affiliate. We may also require you to purchase non-proprietary products from us or our affiliate. We reserve the right to sell other branded or proprietary products, such as prepared foods, retail merchandise and other items, to franchisees. We or our affiliate may be the only supplier for these items. These items are part of our system and intrinsically associated with The Breakfast Club at Midtown brand. We or our affiliate will derive revenue from these sales.

We periodically designate vendors and suppliers that you must use for certain products or services. For example, we have a designated supplier for food distribution and for produce.

You must also purchase a television that meets our specifications for your bar seating area. We control the television for proper channel viewing, but you may choose among our approved suppliers for music vendors.

You must purchase all other products, equipment, supplies and services required or used in the operation of The Breakfast Club at Midtown restaurant only from: (a) manufacturers, suppliers or distributors from time to time designated in writing by us, (b) such other suppliers selected by you and consented to by us in the manner and subject to the conditions described below, or (c) from us or our affiliate, if available.

All of the ingredients, products, goods, services, supplies, furniture, fixtures, equipment, inventory, and computer hardware and software you purchase or lease for use in the establishment or operation of The Breakfast Club at Midtown restaurant must meet the specifications, requirements, and standards described in our The Breakfast Club at Midtown Standards Manual.

We may issue specifications and standards for products and equipment to franchisees or to approved suppliers. Our criteria for supplier approval are available to franchisees in The Breakfast Club at Midtown Standards Manual. A list of designated suppliers is also included in The Breakfast Club at Midtown Standards Manual.

Alternative Suppliers

In order to obtain our consent to an alternative supplier, you must meet the following conditions. We are not required to evaluate or to consent to suppliers you propose even if they meet these conditions.

(1) You must send a written request to us;

(2) You must reimburse us for our evaluation costs plus travel expenses in evaluating the proposed supplier, which may include research, due diligence and testing;

(3) The supplier must demonstrate that it can supply an item or service meeting our specifications. This may mean providing us with samples and allowing our representatives to inspect its facility;

(4) The supplier must demonstrate its financial soundness, its reputation in the business community and the reliability of its product or service;

(5) The supplier or provider must obtain, maintain and submit to us proof of the insurance coverage we require (including product liability coverage) at limits and including coverage acceptable to us, and name both you and us as additional insureds with the right to at least 30 days' prior written notice before modification, cancellation or termination of coverage; and

(6) If the item will bear our trademark, we may require the supplier to sign a license agreement acceptable to us which may include a royalty payment to us.

We generally will notify you whether or not we consent to a supplier within 90 days. We may notify you that the consent to a supplier is revoked at any time. If we revoke consent to a supplier, you must immediately stop using that supplier.

Officer-Owned Suppliers

None of our officers owns an interest in any supplier as of the date this Disclosure Document was issued except for the franchisor and its affiliate.

Computer System

You must use the computer system and software we specify in The Breakfast Club at Midtown Standards Manual including internet security procedures we require. As of the date this Disclosure Document was issued, we require that you use Toast as your point-of-sale system.

Accounting

You must use our mandated chart of accounts, income statement and balance sheet format in preparing financial statements. You must purchase and use the accounting software we specify in The Breakfast Club at Midtown Standards Manual.

As of the date this Disclosure Document was issued, we designate a third party accounting firm that you must use. You must submit financial statements and reports we require in the format we designate and with the frequency we periodically require. We may permit you to undertake your own accounting after you have operated The Breakfast Club at Midtown for two years. If we do so and you fail to meet our reporting requirements, we can again require that you use our designated accounting firm.

Gift Card Vendor

You must participate in any gift card or other loyalty programs we establish. For example, in a gift card program, we may designate a gift card vendor to manage funds paid by customers for gift cards and credit revenue to The Breakfast Club at Midtown restaurant at which the gift card is redeemed.

Architect, Real Estate Broker, Real Estate Tenant Representative and Contractor

You must obtain our consent for the local licensed retail real estate broker that you retain to assist in selecting your site. You must use obtain our consent to the architect you choose to develop floor plans and construction drawings for your restaurant. You must submit your floor plans and full construction drawings, prototype drawings for a conceptual appearance, and videos and photos of The Breakfast Club at Midtown restaurant for our consent.

You must also use contractors who meet our standards and qualifications for contractors, including that the contractors be commercially licensed and adequately insured and have experience in building facilities similar to The Breakfast Club at Midtown restaurants. We recommend that you obtain at least three construction bids for your location. We may identify contractors that meet our standards and specifications, but you will not be required to use the contractors we suggest. You must obtain our consent to your selected contractor before you finalize your construction contract. Your contractor must add you and us on its insurance policies as additional insureds. We may designate vendors for certain items you and your contractor will need during construction and you must purchase those items from the designated vendor.

Location and Lease

You must obtain our approval of the lease or contract for the location from which you will operate The Breakfast Club at Midtown restaurant before you sign the lease or contract. You are responsible for all costs to negotiate and sign the lease or contract. We may require you to include certain terms in your lease including a conditional lease assignment to us or our nominee if your Franchise Agreement expires or is terminated. We require that the lease contain the terms set forth in the Lease Addendum attached as Exhibit I. After you sign the lease or contract, you must return a copy to us.

Insurance

You must obtain the insurance coverage required by the Franchise Agreement and as we may periodically notify you from a carrier with an A.M. Best rating of at least A. As of the date this Disclosure Document was issued, the required coverage includes public liability insurance, comprehensive coverage for the franchise business, liquor liability coverage, personal injury insurance, automobile/van coverage for your vehicles, property damage coverage, business interruption coverage, worker's compensation insurance, including employer's liability, with limits as required by law, and any other specialty coverage we require and including such other limits and coverage as we may periodically require. The required coverage is subject to change. All such insurance must include coverage for losses that incur for two years after the expiration or termination of the Franchise Agreement and the Area Development Agreement, if you sign one. We must be listed as additional insured on all of the above policies, and you must provide us with evidence of coverage. Your insurer must agree to give us at least 30 days' prior notice of default, termination or modification of any policy, and accord us the right to cure any default, in our discretion. You must provide a waiver of subrogation in our favor and provide that your insurance policies are primary and non-contributory to any policies we may carry.

Advertising and Marketing

You must obtain our consent to all marketing, advertising and publicity materials you use to promote The Breakfast Club at Midtown restaurant before you use them. You must provide any proposed materials to us at least 15 days before publication. You must conduct grand opening advertising for The Breakfast Club at Midtown restaurant for which you must spend at least $10,000 after opening your business. You must obtain our prior consent to the activities you propose to conduct as part of your grand opening advertising.

Rebates

During the year ended December 31, 2023, neither we nor our affiliate received revenues on account of purchase or leases by franchisees, nor did we receive rebates or other benefits from franchisees' purchases or leases from suppliers. We reserve the right to do so.

Other Information

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

We do not provide material benefits to franchisees based on use of designated or approved suppliers as of the date this Disclosure Document was issued, but we may do so in the future.

We do not have any purchasing or distribution cooperatives as of the date this Disclosure Document was issued.

We estimate that the required purchases and leases described in this Item will constitute approximately 80% to 90% of all purchases and leases you will incur to establish and operate The Breakfast Club at Midtown restaurant.

ITEM 9.

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 1D of Franchise Agreement; Section 3D of the Area Development Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Section 1D of Franchise Agreement; Section 3 of the Area Development Agreement	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 1D of Franchise Agreement; Section 3D of the Area Development Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Section 2A of Franchise Agreement	Item 11
e. Opening	Section 1D(8) of Franchise Agreement; Section 3G of the Area Development Agreement	Item 11
f. Fees	Sections 1E(2)(c), 2A, 3A, 3H, 5, 7B, 7C, 8B, 10C, 12D, 13B(3)(g), 14 and 15J(3) of Franchise Agreement; Sections 3F, 4A, 5, 9C, 11B(3)(e), 11E and 12J(5) of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Section 2C of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 4 and 9 of Franchise Agreement	Items 13 and 14

Obligation	Section in Agreement	Disclosure Document Item
i. Restrictions on products/services offered	Section 3 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 3 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 1B of Franchise Agreement; Section 2 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Section 3 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 3 of Franchise Agreement	Items 8 and 11
n. Insurance	Section 3H of Franchise Agreement; Section 4A of the Area Development Agreement	Item 8
o. Advertising	Section 8 of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 14 of Franchise Agreement; Section 11E of the Area Development Agreement	Item 6
q. Owner's participation/ management/staffing	Section 3E of Franchise Agreement	Item 15
r. Records and reports	Section 6 of Franchise Agreement	Item 6
s. Inspections and audits	Section 7 of Franchise Agreement	Item 6
t. Transfer	Section 13 of Franchise Agreement; Section 11 of the Area Development Agreement	Item 17

Obligation	Section in Agreement	Disclosure Document Item
u. Renewal	Section 1E(2) of Franchise Agreement; Section 1B of the Area Development Agreement	Item 17
v. Post-termination obligations	Section 12 of Franchise Agreement; Section 10F of the Area Development Agreement	Item 17
w. Non-competition covenants	Section 10 of Franchise Agreement; Section 9 of the Area Development Agreement	Item 17
x. Dispute resolution	Sections 15F, 15J and 15P of Franchise Agreement; Sections 12F, 12J and 12M of the Area Development Agreement	Item 17
y. Other: Spousal Consent of spouse (Note 1); Owner Guaranty and Confidentiality and Non-Competition Agreements (Note 2)	Exhibits C and E to Franchise Agreement; Exhibit D and E to Area Development Agreement	Item 22

Notes:

(1) The spouse of an individual franchisee (and the spouse of each owner of a franchisee that is an entity) must sign a spousal consent (Exhibit C of Franchise Agreement and Exhibit D of the Area Development Agreement).

(2) Each individual who owns an interest in a franchisee that is a business entity (and that individual's spouse) may be required to sign an agreement to maintain confidentiality and not to compete and an agreement guaranteeing all obligations of the "Franchisee" under the Franchise Agreement (Exhibit E of the Franchise Agreement). If the developer that signs an Area Development Agreement is an entity, all owners of the developer must personally guarantee the developer's performance upon our request (Exhibit E of the Area Development Agreement).

ITEM 10.

FINANCING

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

ITEM 11.

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Breakfast Club Franchising, Inc. is not required to provide you with any assistance.

Before you begin to operate The Breakfast Club at Midtown, we:

(1) Will provide you with the criteria for selecting a location for The Breakfast Club at Midtown restaurant. You must retain a licensed retail real estate broker to which we consent to help you select your site. You select the location for your business, subject to our acceptance in writing. You must submit your request in a format that we require and we will evaluate your proposed site. You must obtain our acceptance of the site before signing a lease or contract for the site. We generally do not own premises or lease them to franchisees. In general, the factors that we may consider include the general location and neighborhood of the business, zoning of the site, demographics, locations of any other restaurants in the general area, proximity of complementary businesses, traffic flow, parking, rent, size, layout, physical characteristics of the location, building restrictions, lease terms and such other terms as we may require (See Franchise Agreement, Section 1D and Area Development Agreement, Section 3D(1)).

We will accept or reject your proposed location within 10 business days after receiving the request and all of the information we require concerning the proposed location. You must obtain our consent to a location within 90 days after we enter into the Franchise Agreement. If we cannot agree with you on a proposed site, then you must find another site and request that we accept it. If you are an area developer, you must sign the then-current form of Franchise Agreement within 30 days after we consent to a proposed location.

You must open The Breakfast Club at Midtown restaurant within 180 days after we consent to the location. If a specific location for The Breakfast Club at Midtown restaurant has not been identified at the time you sign the Franchise Agreement, we will identify a general geographic area in your Franchise Agreement to assist you in focusing your site selection effort. Once your location has been identified, your location and territory will be inserted as an exhibit to the Franchise Agreement. Your lease must contain the provisions described in Item 8.

If you are opening your second or subsequent The Breakfast Club at Midtown restaurant under a Development Agreement, your deadlines for proposing a location, signing a

Franchise Agreement and opening the restaurant will be described in your development schedule.

(2) Will provide you with input concerning the design and construction or renovation of the facility for The Breakfast Club at Midtown restaurant (See Franchise Agreement, Section 1D(4); Area Development Agreement, Section 3D(1)).

(3) Review and evaluate your architect's floor plan for front and back-of-the-house areas and interior elevations (See Franchise Agreement, Section 1D(4); Area Development Agreement, Section 3D(1)).

(4) Review and evaluate your architect's full construction drawings for your location (See Franchise Agreement, Section 1D(4); Area Development Agreement Section 3D(1)).

(5) Will prescribe standards and qualifications for you to identify contractors and evaluate your selected contractor before you sign a construction contract (See Franchise Agreement, Section 1D(5); Area Development Agreement, Section 3D(2)).

(6) Will provide specifications for signage and decorating materials at The Breakfast Club at Midtown restaurant (See Franchise Agreement, Section 1D(6); Area Development Agreement, Section 3D(3)).

(7) Will evaluate your location before your opening to the public to determine if it is ready to open (See Franchise Agreement, Section 1D(8); Area Development Agreement Section 3G).

(8) Will prescribe the menu items for The Breakfast Club at Midtown restaurant (See Franchise Agreement, Section 3A).

(9) May designate and negotiate pricing with suppliers for merchandise, equipment, inventory and supplies (See Franchise Agreement, Section 3B(1)).

(10) (Will assist you in placing orders for your initial inventory (See Franchise Agreement, Section 3B(1)).

(11) Will provide you with the initial training program described below (See Franchise Agreement, Section 2A).

(12) Will provide you with on-site assistance with operating The Breakfast Club at Midtown restaurant for approximately two days before and two days after opening (See Franchise Agreement, Section 2B).

(13) Will assist you in planning your grand opening advertising and promotion strategy, to which you must obtain our consent (See Franchise Agreement, Section 8B).

(14) Will loan to you one copy of The Breakfast Club at Midtown Standards Manual, which we may modify from time to time. We may provide The Breakfast Club at Midtown

Standards Manual electronically. A copy of the table of contents of the Manual is attached as Exhibit G to this Disclosure Document. The Breakfast Club at Midtown Standards Manual has a total of 251 pages (See Franchise Agreement, Section 2C).

(15) Will designate an accounting firm that you must use (See Franchise Agreement, Section 6C).

We estimate that the typical length of time between the earlier of the signing the Franchise Agreement or the first payment of consideration for the franchise and the opening of The Breakfast Club at Midtown restaurant is approximately 270 days or more. It may take longer for a franchisee to open its restaurant during the public health crisis caused by the COVID-19 pandemic. It may also take longer if you do not diligently pursue site selection and buildout of The Breakfast Club at Midtown restaurant. The factors that affect this are locating a satisfactory site, whether you construct a facility or lease a facility, obtaining a lease, construction of improvements to the site, supply chain issues, financing, obtaining building permits, obtaining a liquor license, zoning and local ordinances, acquisition of sufficient inventory, weather conditions, shortages and any delays in installation of equipment, fixtures and signs.

During the operation of your business, we:

(1) May furnish advice and guidance to you on the operation of The Breakfast Club at Midtown restaurant which may include helping you to develop your annual business plan and conducting site visits (See Franchise Agreement, Section 2D).

(2) Will provide ongoing training which you and certain of your personnel would be required to attend (See Franchise Agreement, Section 2A(4)).

(3) May organize franchisee meetings which you may be required to attend (See Franchise Agreement, Section 2A(4)).

(4) Will provide additional training if you request it (and we agree) or we determine that it is necessary (See Franchise Agreement, Section 2A(4)).

(5) May establish and administer or engage a vendor to administer a gift card or other customer loyalty program (See Franchise Agreement, Section 8E).

(6) Will evaluate and decide whether or not to approve any advertising materials you propose to use (See Franchise Agreement, Section 8C).

(7) May establish a mystery shop program, in which you may be required to participate (See Franchise Agreement, Section 7B).

(8) May conduct ourselves, or contract with a supplier to provide, quality assurance audits for The Breakfast Club at Midtown restaurant (See Franchise Agreement, Section 7A).

Advertising and Marketing

We have established a system marketing fund to which you are required to contribute. As of the date this Disclosure Document was issued, you must contribute 0.5% of your gross revenues to the system marketing fund, but we may increase this amount to up to 3% of gross revenues. We may elect to disseminate advertising through television, radio and print media such as magazines, billboards, flyers or mailers and newspapers. The media coverage will initially be local in scope, but may expand to be regional and national. We are not required to spend any specific amount on advertising in the area in which The Breakfast Club at Midtown restaurant is located. We may use the system marketing fund to employ outside public relations consultants or advertising agencies to assist in the development, production and dissemination of advertising materials. We may also use the system marketing fund to develop promotional and advertising materials for your use. We may also use these funds on the development of web sites, search engine optimization, brochures, and slides and other materials. We may spend the system marketing fund on administrative expenses including allocation of overhead and salaries of our personnel.

We may deposit amounts contributed to the system marketing fund in our general operating account. The fund is not audited, but we may prepare periodic financial reports on the system marketing fund and, if we do so, they will be available to you upon request. Any amounts in the system marketing fund not spent during one year will carry over to the next year. No expenditures will be made from the system marketing fund principally to solicit new franchise sales.

During the fiscal year ended December 31, 2023, we did not make any expenditures from the system marketing fund.

We require franchisees to contribute to the system marketing fund at the same rate, although there may be exceptions in some circumstances, such as non-traditional locations. We may also contribute to the system marketing fund.

As of the date this Disclosure Document was issued, we require you to spend 1% of gross revenues each month on local marketing, advertising and promotions to which we have consented. We have the right to raise this amount up to 3% of gross revenues. You must submit receipts documenting your local advertising and promotions activity upon request. We require that you direct your local advertising and marketing activities to developing The Breakfast Club at Midtown brand in your own protected area.

We require that you spend at least $10,000 on grand opening marketing and promotions during the 15 days before and 30 days after opening. We will assist you in developing your grand opening marketing and promotions strategy, for which you must obtain our consent. We recommend hosting a VIP, friends and family event at The Breakfast Club at Midtown restaurant before opening.

We may require franchisees to form local marketing cooperatives when unit development in the marketing area makes such an option feasible. If such a marketing cooperative is formed in your area, we may require that you contribute to the cooperative all or a portion of your revenues allocated to local advertising.

You may use your own advertising materials, such as point-of-purchase materials and menus, only after we have reviewed them and consented to their use. You must submit such advertising materials to us at least 15 days before disseminating them.

We may develop discount programs, coupon, gift card or online ordering programs or other types of customer loyalty programs in the future. If we do so, you must participate. This may affect your ability to receive income from certain sales. For example, if we institute a gift card program that pools revenue from gift card purchases and allocates those revenues to the location at which the gift card is redeemed, this may affect your gross revenues. You should consult with your legal counsel on the effect of laws in your state or locality that relate to the acceptance and redemption of gift cards.

We do not currently have a franchisee advisory council but reserve the right to create one in the future.

You may not establish any website, social media page, domain name or URL address without receiving our prior written permission.

Computer System and Software

As of the date this Franchise Disclosure Document was issued, we require you to purchase a point-of-sale and a computer system and software from our designated suppliers. We estimate the cost to acquire the point-of-sale system and other software and all other hardware you will need to start your business will be approximately $20,000 to $30,000. You must have high-speed access to the Internet.

We charge a technology fee of up to $100 per week to provide you with technological services such as a help desk, an Intranet or website support. It includes all Internet services, email, accounting sites and access to music. The technology fee is $25 per week as of the date this Disclosure Document was issued.

We may change the computer system and software we require you to use at any time. If we develop proprietary software, we may require you to use it. If we do, you may have to enter into a software license with us or our affiliate and pay a licensing fee.

Neither we nor our affiliate or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates to any of the computer hardware or software you must use in The Breakfast Club at Midtown restaurant. We may require you to maintain, repair, upgrade or update any computer equipment you utilize in your business and there are no contractual limitations on the frequency or cost of your obligation to do so. We estimate that your annual cost to do so will be approximately $5,000 to $8,000. We will have independent access to monitor and retrieve the information on your computer system, including your accounting records and point-of-sale system, and we will be able to download it. There is no contractual limit on our right to do so. Our designated vendor may also have access to this information in order to facilitate the collection of income statements.

Training

Following is information on the training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of The Breakfast Club at Midtown	1	0	San Jose, CA
Use of the Manual	1	0	San Jose, CA
Tour of The Breakfast Club at Midtown	1	0	San Jose, CA
Pre-Opening Procedures	1	0	San Jose, CA
Personnel Issues	1	2	San Jose, CA
Advertising	1	2	San Jose, CA
Management Procedures	1	6	San Jose, CA
Franchise Reporting Requirements	1	2	San Jose, CA
Accounting/ Recordkeeping	1	4	San Jose, CA
Customer Service Procedures	1	6	San Jose, CA
Front/Back of House – Manager Duties	1	80	San Jose, CA
Back of House – Prep/Cook Procedures	1	100	San Jose, CA
Bar Area		40	San Jose, CA
Inventory Management	1	8	San Jose, CA
POS System	1	4	San Jose, CA
Cleaning Procedures	1	4	San Jose, CA
Safety Procedures	1	4	San Jose, CA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Totals	16	262	

Training programs are held when necessary to train new franchisees.

Initial training will last for up to four weeks and take place at our headquarters in San Jose, California or another location we designate. The initial training may be reduced for additional The Breakfast Club at Midtown locations you open. We will also provide on-site assistance for you and your staff which will generally take place approximately two days before and two days after the opening of The Breakfast Club at Midtown restaurant.

Before you open The Breakfast Club at Midtown, you, your kitchen manager and front-of-the-house/bar manager must successfully complete our initial training program. You will receive no compensation or reimbursement for services or expenses for participation in training. We will not charge you to train up to the first three persons at the same time, but we may charge you a fee to train more than three persons or to conduct initial training at a later time. This fee is $300 per day per additional trainee as of the date this Disclosure Document was issued. You will be responsible for all of your and your employees' expenses to attend the training program, including their compensation and any lodging, transportation and food.

Mr. Tsaboukos and senior staff, managers and key employees of our affiliate's current The Breakfast Club at Midtown restaurants will conduct initial training. Instructors have a minimum of 10 years of experience in their field and at least 15 years with us or our affiliate.

You and your operating manager must attend and complete initial training to our satisfaction between four to six weeks before opening The Breakfast Club at Midtown. If you fail to complete the training to our satisfaction, we may terminate your franchise. In addition to initial training, we may require you and your personnel to attend remedial training if we believe that you are not operating The Breakfast Club at Midtown restaurant to our standards. Moreover, we may require you to undergo, or you may request, onsite or additional training or operations assistance over and above our normal course of training. If we require you to attend remedial training or you request additional training or assistance which we agree to provide it, you must pay a daily training rate per trainer and all of your own expenses in connection with training along with all of the trainer's travel expenses. If this training is at your location, you must pay an additional training fee of $750 per trainer plus all travel and related expenses. If the additional training takes place at one of our locations, you must pay an additional training fee of $500 per trainer and you must pay all of your own and your personnel's expenses.

We require you and certain of your personnel to attend refresher training for up to 10 days per year which will take place at our headquarters in San Jose, California or another location we designate. If you or your personnel do not complete refresher training to our satisfaction, we may require you to attend initial training a second time. In either case, we may charge a fee which is $500 per trainer per day plus travel expenses, if any, as of the date this Disclosure Document was issued. We may also require you to attend a national business meeting or convention each year. You will bear all costs, such as travel and accommodation, for you and your personnel attending these events and we may require you to pay a registration fee to attend.

You are responsible for training any employees that you employ in The Breakfast Club at Midtown restaurant including new managers. If we consider that new managers are not adequately trained, we can require that they attend and complete our initial training program to our satisfaction.

If you enter into an Area Development Agreement with us, we grant you the right to sign Franchise Agreements for The Breakfast Club at Midtown restaurants to be located in your development area. The Area Development Agreement does not require us to provide any additional services to you other than those described above.

ITEM 12.

TERRITORY

You receive the right to operate The Breakfast Club at Midtown restaurant at a location in your protected area. Your protected area will have a population of at least 50,000 people at the time you sign your Franchise Agreement and will be defined by zip codes. Your continued right to operate The Breakfast Club at Midtown restaurant in your protected area is not dependent on your meeting any minimum performance requirements.

As long as you are in compliance with your Franchise Agreement, we will not operate The Breakfast Club at Midtown restaurants in your protected area and we will not license third parties to do so except in non-traditional locations such as airports, train or other transportation stations, hotels, military bases, convention centers, arenas and stadiums, entertainment venues, casinos, college campuses, enclosed shopping centers, mall food courts, amusement and theme parks, resorts, museums or similar venues. Franchisees that operate The Breakfast Club at Midtown restaurants in non-traditional locations do not receive a protected area.

We reserve all rights not specifically granted to you. We reserve the right to sell our proprietary products in your protected area through other channels of distribution such as grocery stores, supermarkets, box stores and similar locations, as well as non-traditional locations. We may also offer similar products under a different mark both within and outside your protected area. We may acquire, be acquired by or merge or combine with another company that may operate or license other parties to operate restaurants or other food service operations in your protected area.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If you have not determined where The Breakfast Club at Midtown restaurant will be located when you sign the Franchise Agreement, the Franchise Agreement will identify the general area in which you must secure a location for your restaurant. That general area is larger than your protected area will be once you secure a location for your restaurant. You do not receive exclusive rights to the general area and there may be other franchisees looking for locations in the same area. Once you have found a location, proposed it to us and secured our consent to the location, we will determine the protected area.

You may not relocate your restaurant or establish additional restaurants without our prior written consent. The relocation fee is 75% of our then-current non-discounted initial franchise fee. If you wish to relocate, you must pay us 50% of this amount when you notify us of your proposed relocation. If we agree to your request to relocate, you must pay us the rest of the relocation fee and reimburse us for any travel and other expenses we incurred to evaluate your request. These amount are non-refundable. In general, the factors that we may consider in deciding whether to consent to your request are demographic changes with respect to the location of your franchised business, and the performance of your franchised business.

We have not granted any options, rights of first refusal or similar rights to acquire additional franchises as of the date this Disclosure Document was issued.

You may not sell products at wholesale. You may not advertise outside of your protected area.

You do not have the right to offer catering or delivery services unless we permit you to do so. We reserve the right to develop or designate a catering or delivery program in the future. If we do so, we may require you to participate. The geographic area in which we permit or require you to conduct catering services will be your protected area.

You must focus your advertising activities inside of your protected area, but you may serve customers from outside of your protected area, other than for deliveries. You do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing to make sales either inside or outside of your protected area.

We reserve all rights that we do not grant to you. For example, we reserve all rights to sell our proprietary products in your protected area, to promote The Breakfast Club at Midtown restaurants and to sell The Breakfast Club at Midtown products and other products using other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing. We do not have to pay you if we solicit or accept such orders from inside your protected area.

We may operate a website that uses our name and other trademarks and that features our products. You may not develop or operate a website relating to the franchised business or using our marks without our permission. We may require you to operate a sub-domain page on our website or we may require you to operate a website that meets our specifications and which may be linked to our website.

You may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Twitter, SnapChat, Instagram, LinkedIn, TikTok or any other social or professional networking blog) or mention or discuss the franchise, us or any of our affiliates, without our prior written consent. If we do consent, we have the right to review all on-line content on social media sites, blogs, in electronic communications and on other on-line sites on which our trademarks are used to protect the reputation and high quality associated with our trademarks. We may also require you to grant us co-administrative rights to any social media pages or account. We may require you to remove any questionable usage or content involving our trademarks or reflecting poorly on them. We may also require you to cease using our trademarks at all such sites.

As of the date this Disclosure Document was issued, neither we nor any of our affiliates operates, franchises or has plans to operate or franchise a business under a different trademark that will offer similar services to the ones you will offer as a The Breakfast Club at Midtown franchisee, but we reserve the right to do so. We also reserve the right to acquire similar competing brands or to be acquired by another entity without your consent or any notice to you. Those competing brands may have locations in your protected area and may continue to operate and expand.

ITEM 13.

TRADEMARKS

We will grant you the right to conduct business operating a restaurant under the name "The Breakfast Club at Midtown," a design logo using the same words as seen on the cover page to this Franchise Disclosure Document, and related trademarks. You must also use other trademarks which we develop or prescribe to identify your business and its services and products. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business, its services and its products.

Our affiliate, ATG Investments, LLC has federal trademark registrations for the following marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

Mark	Class	Registration Number	Registration Date
	43	7313436	February 27, 2024
THE BREAKFAST CLUB AT MIDTOWN	43	7313435	February 27, 2024

You will be required to follow our rules when you use these trademarks. You must use the ™ symbol any time you use the name The Breakfast Club at Midtown, any design logo and any other registered trademarks that we designate. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by us. If we adopt trademarks that you develop in the course of operating your franchised business, they will belong to us and you may only use them while you are a franchisee.

There are no currently effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation or any pending material litigation involving the principal trademarks.

We received the right to use these trademarks and to license their use to you under a trademark license agreement with ATG Investments, LLC dated as of October 3, 2022. Unless terminated, the agreement continues for a 50-year term, and the agreement may not be modified without both parties' consent. The trademark license agreement provides that upon reasonable notice, the licensor can make site visits to The Breakfast Club at Midtown restaurants and you must provide the licensor and its representatives with access to The Breakfast Club at Midtown restaurant. If the trademark license agreement is terminated for any reason or expires, it provides that ATG Investments, LLC will continue to honor the rights we granted to you. No other agreements limit our right to use or license the use of the trademarks.

You must notify us immediately when you learn about a challenge to your use of our trademarks. The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by the Franchise Agreement and if you are in good standing. You must assist us in protecting any of our rights, at our expense. We will control any proceedings or litigation and decide whether or not to settle any action. You do not have the right to settle a claim without our consent.

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so.

We have the right to control any administrative proceeding or litigation involving our trademarks. You do not have the right to settle a claim without our consent.

If we decide to add a new trademark, or modify or discontinue the use of any trademark, you must immediately use the new trademark or change or discontinue the use of the trademark, all at your expense. You must not contest our affiliate's right to its trademarks or our right to use them.

We do not know of any infringing uses that could materially affect your use of our or our affiliate's trademarks.

ITEM 14.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent.

We may claim a copyright in The Breakfast Club at Midtown Standards Manual, marketing materials and other promotional and operational literature we develop, although we have not filed for copyright registration. You must not contest our right to our copyrights.

There are no currently effective material determinations of the USPTO, the United States Copyright Office or a court regarding any copyright we own. There is no material pending proceeding the USPTO or any court concerning any such copyright.

You must notify us immediately when you learn about a challenge to use of our copyrighted materials. We will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement and if you are in good standing. You must assist us in protecting any of our rights, at our expense. We will control any administrative proceedings or litigation involving the copyrighted materials. You do not have the right to settle a claim without our consent.

If you learn about a third party's use of these copyrighted materials which you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so.

We do not know of any infringing uses that could materially affect your use of our copyrighted materials.

You also receive the right to use certain of our trade secrets and confidential and proprietary information, including our proprietary recipes and ingredients.

ITEM 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that you work and be directly involved with the operation of The Breakfast Club at Midtown during the first year of operations. You must also hire an operating manager for The Breakfast Club at Midtown who has successfully completed initial training directly operate The Breakfast Club at Midtown to our satisfaction. You or the operating manager must be on site at The Breakfast Club at Midtown at all times. If your operating manager is terminated or elects to end his or her relationship with you, you must recruit a new key management staff member within 30 days and submit his or her qualifications to us for review and consent. The new operating manager must complete our initial training program at your expense and to our satisfaction. We may require that your operating manager sign a non-disclosure and non-competition agreement. We do not require that your operating manager own an equity interest in the franchise. If you develop multiple locations for The Breakfast Club at Midtown, you must have a separate operating manager for each location who has completed the initial training program to our satisfaction.

ITEM 16.

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those products and services to which we have given our consent. If you offer any products or services that we have not authorized, it will result in damage to us and The Breakfast Club at Midtown franchise system that is difficult to quantify. We estimate that it will be ongoing if you continue this activity and will cost us at least $250 per day. Therefore, you must pay to us a fine of $250 per day for every day you offer such unauthorized products or services. We may seek other remedies as well. You may not sell products or services at wholesale. You may not provide delivery or catering services without our consent. If we do grant our consent for you to provide delivery or catering services, you may only do so within the area we designate for those services. We may also require you to offer those services.

You must also offer all menu items that we designate and you may not offer any other menu items without our consent. We can add to the approved menu items you must offer, delete them or change them at any time. There are no contractual limitations on our right to require you to add to, change or restrict the menu items you offer.

You must offer all goods and services that we designate unless we otherwise agree in writing. There are no limits on our right to do so.

ITEM 17.

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Franchise Agreement

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 1E(1)	10 years.
b. Renewal or extension of the term	Section 1E(2)	If you meet certain conditions, you can enter into the then-current renewal Franchise Agreement for up to two additional terms of five years each.
c. Requirements for franchisee to renew or extend	Section 1E(2)	You must sign our then-current form of Franchise Agreement; you must be in full compliance with all agreements with us or our affiliates (such as the Area Development Agreement); you must pay all that you owe us plus a successor franchise fee of 25% of the then-current non-discounted initial franchise fee; you and your personnel must successfully complete re-training; you and your owners must sign a general release; you must not have received three or more default notices in any 24 month period; we must not have decided to withdraw from your market; you must remodel and update your restaurant premises; you must have the right to occupy the premises for the renewal term; you must give us 180 days' notice of your

Provision	Section in Franchise or Other Agreement	Summary
		election to renew and return documents within 30 days. You may be asked to sign an agreement with materially different terms and conditions than your original Franchise Agreement.
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 11	We can terminate only if you default or if the events described in (g) and (h) occur.
g. "Cause" defined-curable defaults	Section 11B	You have five days to cure nonpayment and up to 30 days for other types of noncompliance, subject to applicable state law.
h. "Cause" defined-non-curable defaults	Section 11A	Noncurable defaults (subject to applicable law): insolvency; you admit inability to pay debts when due; you make an assignment for the benefit of creditors; you file petition for bankruptcy or petition is filed against you; an application for receiver is made and not resolved within 90 days; abandonment; your material misrepresentation to us; your failure to begin operating your restaurant within the period required by the Franchise Agreement; your unauthorized transfer; termination of any other agreement with us because of your breach; your unauthorized use of trademarks or confidential information; your failure to complete initial training to our satisfaction; your intentional failure to report to us all

Provision	Section in Franchise or Other Agreement	Summary
		gross revenues; you offer unauthorized goods or services; you incur insufficient funds fee on three or more occasions in a 12-month period; your right to operate under any license or permit is suspended, terminated or interrupted; you or your principal's conviction of a felony or other criminal misconduct or conduct which reflects unfavorably on us or our system; noncompliance with law for more than three days after notice; you repeatedly default – three or more times during term whether or not cured; seizure by government official or lienholder; eviction from premises; final judgment of more than $5,000 remains unsatisfied for 30 days; undischarged levy of execution on franchise; danger to public health or safety; you become a specially designated national or blocked person under the U.S. anti-terrorism laws.
i. Franchisee's obligations on termination/non-renewal	Section 12	Pay all amounts due to us and our affiliates; refrain from identifying yourself as a current or former The Breakfast Club at Midtown franchisee; discontinue use of trademarks, trade dress and system; de-identify; return or destroy all products with our trademarks; return The Breakfast Club at Midtown Standards Manual and other confidential information, including client lists and customer information; assist in smooth transition of business; refrain from soliciting customers and turn over customer data; refrain from making disparaging remarks; assign to us or

Provision	Section in Franchise or Other Agreement	Summary
		our nominee telephone numbers, e-mail addresses and social media pages; and cancel fictitious business name statement (also see (r) below). Obligations that expressly or by their nature survive, such as those concerning confidentiality, non-competition, indemnification and dispute resolution.
j. Assignment of contract by franchisor	Section 13A	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 13B(2)	Includes transfer of Franchise Agreement, assets of The Breakfast Club at Midtown restaurant or greater than 25% ownership interest in franchisee.
l. Franchisor approval of transfer by franchisee	Section 13B(1)	You must obtain our consent to all transfers.
m. Conditions for franchisor approval of transfer	Section 13	You must not be in default; your franchised business must meet our then-current standards; your lessor consents; the transferee must meet qualifications for new franchisee; the transferee must sign the then-current form of Franchise Agreement, ancillary agreements and guaranty; the transferee must successfully complete our training; you must pay the transfer fee; you and your owners and affiliates must sign a general release; the transferee's obligations to you must be subrogated to its obligations to us; you must transfer all of your agreements with us; and neither the transferee nor its owners is a specially-designated national or blocked person. If you are an

Provision	Section in Franchise or Other Agreement	Summary
		individual and want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Franchise Agreement (you remain responsible as well), the franchise business must be the sole business of the entity and you must reimburse us for our expenses.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13C	We or our nominee can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 12D	We or our nominee have the option of acquiring your assets if the Franchise Agreement expires or terminates.
p. Death or disability of franchisee	Section 13D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the franchise to a qualified buyer within 60 days.
q. Non-competition covenants during the term of the franchise	Section 10A(1)	You may not be involved in any similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 10A(2)	You may not operate a similar business within 25 miles of your territory for two years after termination or expiration.
s. Modification of the agreement	Section 15I	No modification without a writing signed by you and us, except that we may amend The Breakfast Club at Midtown Standards Manual.

Provision	Section in Franchise or Other Agreement	Summary
t. Integration/ merger clause	Section 15I	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim anything contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 15J	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated.
v. Choice of forum	Section 15J	Location of our headquarters, currently San Jose, California.
w. Choice of law	Section 15J(1)	California law applies.

Area Development Agreement

Provision	Section in Area Development or Other Agreement	Summary
a. Length of the franchise term	Section 1B	From date of execution to opening date of last location
b. Renewal or extension of the term	Section 1B	No right to renew.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable
d. Termination by franchisee	Not applicable	Not applicable

Provision	Section in Area Development or Other Agreement	Summary
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 10	We can terminate only if you default or if the events described in (g) and (h) occur.
g. “Cause” defined-curable defaults	Section 10B	You have five days to cure nonpayment and up to 30 days for other types of noncompliance, subject to applicable state law.
h. “Cause” defined-non-curable defaults	Sections 10A and 10C	Noncurable defaults (subject to applicable law): insolvency; you admit inability to pay debts when due; you make an assignment for the benefit of creditors; you file petition for bankruptcy or petition is filed against you; an application for receiver is made and not resolved within 90 days; your material misrepresentation to us; unauthorized transfer; another agreement between us is terminated for your breach; your unauthorized use of confidential information; your or your principal’s conviction or no contest plea to a felony or other criminal misconduct or conduct which reflects unfavorably on us or our system; noncompliance with law within three days after notice; repeated failure to comply with requirements of agreement (three or more times during 24-month period); final judgment of more than $5,000 remains unsatisfied for 30 days; undischarged levy of execution on franchise; failure to meet development schedule; you become a specially designated national or blocked person under the U.S. anti-

Provision	Section in Area Development or Other Agreement	Summary
		terrorism laws; you fail to meet development schedule
i. Franchisee's obligations on termination/non-renewal	Section 10F	Obligations that expressly or by their nature survive, such as those concerning confidentiality, non-competition, indemnification and dispute resolution.
j. Assignment of contract by franchisor	Section 11A	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 11B(2)	Includes transfer of Area Development Agreement, or transfer of the business or greater than 25% ownership interest in developer.
l. Franchisor approval of transfer by franchisee	Section 11B(1)	You must obtain our consent to all transfers.
m. Conditions for franchisor approval of transfer	Section 11B(3)	You must be in good standing; The Breakfast Club at Midtown restaurants must be in compliance with our then-current standards; the transferee must meet qualifications for new developers; the transferee must sign the then-current form of Area Development Agreement and guaranty; you must reimburse us for our expenses to process the transfer; you and your owners must sign a general release; the transferee's obligations to you must be subrogated to your obligations to us; you must transfer all of your agreements with us; and the transferee must not be a specially-designated national or blocked person. If you are an individual and want to transfer your rights under the Area Development

Provision	Section in Area Development or Other Agreement	Summary
		Agreement to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Area Development Agreement (you remain responsible as well), the development of The Breakfast Club at Midtown restaurants must be the sole business of the entity and you must reimburse us for our expenses.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 10C	We can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	Section 10D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for developers or transfer the business to a qualified buyer within 60 days.
q. Non-competition covenants during the term of the franchise	Section 9A(1)	You may not be involved in any similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 9A(2)	You may not operate a similar business within 25 miles of your territory for two years after termination or expiration.
s. Modification of the agreement	Section 12I	No modification without a writing signed by you and us.
t. Integration/ merger clause	Section 12I	Only the terms of the Area Development Agreement are binding (subject to state law). Any

Provision	Section in Area Development or Other Agreement	Summary
		representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. Nothing in the Area Development Agreement is intended to disclaim anything contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 12J	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated.
v. Choice of forum	Section 12J	Location of our headquarters, currently San Jose, California.
w. Choice of law	Section 12J(1)	California law applies.

ITEM 18.

PUBLIC FIGURES

We do not use any public figures to promote our franchise as of the date this Franchise Disclosure Document was issued, but we may do so in the future.

ITEM 19.

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned 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.

Following are tables showing the gross revenues, cost of goods sold and cost of labor for The Breakfast Club at Midtown restaurant operated by our affiliate, ATG Investments, LLC for calendar years 2020 through 2023. ATG Investments, LLC has operated The Breakfast Club at Midtown restaurant in San Jose, California since 2016. Gross revenues means the total revenue derived from the sale of food and beverage products less discounts, allowances, and returns. The tables do not show all the costs you may incur. They do show the amounts that a franchisee would pay for royalties, marketing fees, technology fees, and mystery shopper fees based on the same numbers. If you borrow money to purchase your franchise, you will also incur the cost to repay that loan.

The restaurant was closed from March 2020 to approximately February 2021 due to the public health crisis caused by the COVID-19 pandemic. It was only open at limited capacity from approximately February 2021 to approximately May 2021, and during that time, sales were primarily based on take-out and third party delivery services.

The characteristics of your location will likely differ from our affiliate's The Breakfast Club at Midtown restaurant due to several factors. For example, our affiliate has operated the restaurant for seven years. Therefore, the restaurant has had time to build a customer base and reputation. Our affiliate's restaurant has 3,047 square feet and is not freestanding. It is operated in a mixed use strip mall with apartments on the upper floors.

Revenues, Cost of Goods Sold (COGS), and Cost of Labor

For the Year Ended December 31, 2020		
	Amount	**Percentage of Revenue**
Gross Revenues	$ 1,875,424	100%
COGS	$ 611,044	13%
Cost of Labor		
Wages	$ 601,075	32%
Taxes	$ 66,744	4%
Total Labor Cost	$ 667,819	36%
Additional Franchisee Costs - Fees Payable to Franchisor		
Royalty Fee 5% of Gross Revenues	$ 93,771	5%
System Marketing Fund Fee 3% of Gross Revenues, the maximum fee you may be charged	$ 56,263	3%
Technology Fee $100 per week, the maximum fee you may be charged	$ 5,200	0.27%
Mystery Shopper Fee $250 per month, the maximum fee you may be charged; estimated four mystery shops per year	$ 1,000	0.05%
Total Additional Costs	$ 156,234	8.33%

Revenues, Cost of Goods Sold (COGS), and Cost of Labor

For the Year Ended December 31, 2021		
	Amount	**Percentage of Revenue**
Gross Revenues	$ 3,016,181	100%
COGS	$ 1,091,621	37%
Cost of Labor		
Wages	$ 783,994	27%
Taxes	$ 99,809	4%
Total Labor Cost	$ 900,122	31%
Additional Franchisee Costs - Fees Payable to Franchisor		
Royalty Fee 5% of Gross Revenues	$150,809	5%
System Marketing Fund Fee 3% of Gross Revenues, the maximum fee you may be charged	$ 93,185	3%
Technology Fee $100 per week, the maximum fee you may be charged	$ 5,200	0.17%
Mystery Shopper Fee $250 per month, the maximum fee you may be charged; estimated four mystery shops per year	$ 1,000	0.03%
Total Additional Costs	$250,194	8.3%

Revenues, Cost of Goods Sold (COGS), and Cost of Labor

For the Year Ended December 31, 2022		
	Amount	**Percentage of Revenue**
Gross Revenues	$ 3,768,621	100%
COGS	$ 1,315,957	35%
Cost of Labor		
Wages	$ 974,272	26%
Taxes	$ 124,647	3%
Total Labor Cost	$ 1,098,919	29%
Additional Franchisee Costs - Fees Payable to Franchisor		
Royalty Fee 5% of Gross Revenues	$188,431	5%
System Marketing Fund Fee 3% of Gross Revenues, the maximum fee you may be charged	$113,059	3%

Technology Fee $100 per week, the maximum fee you may be charged	$ 5,200	0.14%
Mystery Shopper Fee $250 per month, the maximum fee you may be charged; estimated four mystery shops per year	$ 1,000	0.03%
Total Additional Costs	$307,600	8.17%

Gross Revenues, Cost of Goods Sold (COGS), and Cost of Labor

For the Year Ended December 31, 2023		
	Amount	**Percentage of Revenue**
Gross Revenues	$ 3,723,195	100%
COGS	$ 1,253,947	33.68%
Cost of Labor		
Wages	$ 1,043,304	28.02%
Taxes	$ 127,995	3.44%
Total Labor Cost	$ 1,171,299	31.46%
Additional Franchisee Costs - Fees Payable to Franchisor		
Royalty Fee 5% of Gross Revenues	$ 186,160	5%
System Marketing Fund Fee 3% of Gross Revenues, the maximum fee you may be charged	$ 111,696	3%
Technology Fee $100 per week, the maximum fee you may be charged	$ 5,200	0.14%

Mystery Shopper Fee $250 per month, the maximum fee you may be charged; estimated four mystery shops per year	$ 1,000	0,03%
Total Additional Costs	$ 304,056	8.17%

The following chart provides information about gross revenues for our affiliate's location, based on the year of operation, including the calendar years 2020, 2021, 2022 and 2023.

Information on Gross Revenues

	2020	2021	2022	2023
Highest Revenue Month	$260,948	$322,827	$337,244	$332,832
Lowest Revenue Month	$ 43,067	$116,526	$279,982	$283,666
Average Monthly Revenue	$156,285	$251,348	$314,052	$310,266
Median Monthly Revenue	$156,131	$270,038	$314,707	$310,353

You will incur additional costs and you should conduct an independent investigation of all the costs and expenses you will incur in operating The Breakfast Club at Midtown restaurant. We strongly recommend that you research and develop your own pro forma cash flow statement and make your own projections concerning potential sales, operating costs, capital investment requirements, debt, and other financial aspects of operating The Breakfast Club at Midtown restaurant. You should consult with independent professional financial, tax and legal advisors.

This outlet has earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation for this financial performance representation will be made available to you upon reasonable request.

Other than as set forth above, 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 Spiro Tsaboukos at 1432 West San Carlos Street, Suite 50, San Jose, California 95126 or telephone: (408) 209-9860, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2021 TO 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets at End of the Year	Column 5 Net Change
Franchised	2021 2022 2023	0 0 0	0 0 0	0 0 0
Affiliate-Owned	2021 2022 2023	1 1 1	1 1 1	0 0 0
Total	2021 2022 2023	1 1 1	1 1 1	0 0 0

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2021 TO 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2021 2022 2023	0 0 0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2021 TO 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina-tions	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of Year
Total	2021 2022 2023	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0

TABLE NO. 4
STATUS OF AFFILIATE-OWNED OUTLETS
FOR YEARS 2021 TO 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Colum 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
California	2021 2022 2023	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	1 1 1
Total	2021 2022 2023	1 1 1	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0

TABLE NO. 5
PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Total	0	1	0

Our affiliate operates The Breakfast Club at Midtown at the following location as of the date this Disclosure Document was issued:

1432 W. San Carlos Street, #50
San Jose, California 95126

As noted in Exhibit J, there were no existing franchisees as of the date this Disclosure Document was issued. No franchisee has had an outlet terminated, canceled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year. There are no franchisees who have not communicated with us for the 10-week period before the date this Disclosure Document was issued. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We have not created, sponsored or endorsed a trademark-specific franchisee association. No trademark-specific franchisee organization has made a request to be included in this Disclosure Document.

ITEM 21.

FINANCIAL STATEMENTS

Attached as Exhibit C to this Franchise Disclosure Document are our audited financial statements for the periods ending December 31, 2023 and December 31, 2022. Our fiscal year end is December 31. We have not been in existence long enough to have three years of audited financial statements.

ITEM 22.

CONTRACTS

Attached are copies of the following agreements proposed for use in this state:

Exhibit D: Franchise Agreement and Addenda, if applicable

Exhibit D to the Franchise Agreement: Guaranty and Assumption of Franchisee's Obligations

Exhibit E: Area Development Agreement and Addenda, if applicable

Exhibit D to the Area Development Agreement: Guaranty and Assumption of Developer's Obligations

Exhibit H: SBA Addendum

Exhibit I: Lease Addendum

ITEM 23.

RECEIPT

Attached to the end of this Franchise Disclosure Document, following the Exhibits, is a receipt. Please sign it, date it the date you receive the Franchise Disclosure Document, and return it to us. Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise. A duplicate of the receipt is attached for your records.

EXHIBIT A

EXHIBIT A

LIST OF STATE FRANCHISE ADMINISTRATORS

State Number	Title of Administrator	Telephone
California	Toll Free Number	(866) 275-2677
	Commissioner of Financial Protection and Innovation 320 W. 4th Street Suite 750 Los Angeles, California 90013-1259	(213) 576-7500
	or	
	One Sansome Street Suite 600 San Francisco, California 94104-4428	(415) 972-8565
	or	
	1455 Frazee Road, Suite 315 San Diego, California 92108	(619) 610-2093
	or	
	2101 Arena Boulevard Sacramento, California 95834	(916) 445-7205
	www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	
Hawaii	Commissioner of Securities 335 Merchant Street, RM 205 Honolulu, Hawaii 96813	(808) 586-2744
Illinois	Attorney General 500 South Second Street Springfield, Illinois 62701	(217) 782-4465
Indiana	Securities Commissioner 302 West Washington St., Rm. E-111 Indianapolis, Indiana 46204	(317) 232-6681

Maryland	Office of the Attorney General, Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021	(410) 576-6360
Michigan	Attorney General 525 West Ottawa Street G. Mennen Williams Building, 1st Floor P.O. Box 30755 Lansing, Michigan 48909	(517) 335-7632
Minnesota	Commissioner of Commerce Main Office, Golden Rule Building 85 7th Place East, Suite 280 St. Paul, Minnesota 55101	(651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005	(212) 416-8222
North Dakota	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, North Dakota 58505-0510	(701) 328-2910
Oregon	Director, Department of Consumer and Business Services 350 Winter Street NE P.O. Box 14480 Salem, Oregon 97309-0405	(503) 378-4100
Rhode Island	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920-4407	(401) 462-9500
South Dakota	Director, Division of Insurance -Securities Regulation 124 S. Euclid, Second Floor Pierre, South Dakota 57501	(605) 773-3563

Virginia	Director, Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 East Main Street Richmond, Virginia 23219	(804) 371-9051
Washington	Director, Department of Financial Institutions 150 Israel Rd. SW Tumwater, Washington 98501	(369) 902-8760
Wisconsin	Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705	(608) 266-2139

EXHIBIT B

Exhibit B

LIST OF AGENTS FOR SERVICE OF PROCESS

State	Name and Address of Agent
California	Spiro Tsaboukos 5328 Dent Avenue San Jose, CA 95118

If a state is not listed, Breakfast Club Franchising, Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Breakfast Club Franchising, Inc. has appointed an agent for service of process.

EXHIBIT C

Breakfast Club Franchising, Inc.

Financial Statements

December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
Breakfast Club Franchising, Inc.

Opinion

We have audited the financial statements of Breakfast Club Franchising, Inc. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in shareholder's equity and cash flows for the year ended December 31, 2023 and for the period from September 22, 2022 (Inception) to December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023, and for the period from September 22, 2022 (Inception) to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Los Angeles, California
September 5, 2024

Breakfast Club Franchising, Inc.

Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 21,592	$ 50,000
Total current assets	21,592	50,000
Operating Lease Right-of-Use Asset	335,599	-
Security Deposit	5,329	-
Total assets	$ 362,520	$ 50,000
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	$ 8,761	$ 4,000
Due to related party	8,000	-
Operating lease liability, current	27,071	-
Total current liabilities	43,832	4,000
Operating Lease Liability, Noncurrent	313,433	-
Total liabilities	357,265	4,000
Shareholder's Equity	5,255	46,000
Total liabilities and shareholder's equity	$ 362,520	$ 50,000

See notes to financial statements

Breakfast Club Franchising, Inc.

Statements of Operations

Year Ended December 31, 2023 and Period from September 22, 2022 (Inception) to December 31, 2022

	2023	2022
Selling, General and Administrative Expenses		
General and administrative	$ 72,927	$ 4,000
Total operating expenses	72,927	4,000
Operating loss	(72,927)	(4,000)
Income tax expense	(800)	-
Net loss	$ (73,727)	$ (4,000)

See notes to financial statements

Breakfast Club Franchising, Inc.

Statements of Changes in Shareholder's Equity
Year Ended December 31, 2023 and Period from September 22, 2022 (Inception) to December 31, 2022

Balance, September 22, 2022 (Inception)	$ -
Capital contribution	50,000
Net loss	(4,000)
Balance, December 31, 2022	46,000
Noncash capital contribution	32,982
Net loss	(73,727)
Balance, December 31, 2023	$ 5,255

See notes to financial statements

Statements of Cash Flows
Year Ended December 31, 2023 and Period from September 22, 2022 (Inception) to December 31, 2022

	2023	2022
Cash Flows From Operating Activities		
Net loss	$ (73,727)	$ (4,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of operating lease right-of-use asset	9,452	-
Expenses paid by related party on behalf of the Company	40,982	
Changes in operating assets and liabilities:		
Security deposit	(8,423)	-
Accounts payable	4,761	4,000
Operating lease liability	(1,453)	-
Net cash used in operating activities	(28,408)	-
Cash Flows From Financing Activities		
Capital contribution	-	50,000
Net cash provided by financing activities	-	50,000
Net (decrease) increase in cash	(28,408)	50,000
Cash, Beginning	50,000	-
Cash, Ending	$ 21,592	$ 50,000
Supplemental Disclosures of Noncash Activities		
Operating lease right-of-use asset obtained in exchange for lease liability	$ 341,957	$ -
Expenses paid by related party on behalf of the Company, capital contribution	$ 32,982	$ -
Expenses paid by related party on behalf of the Company, due to related party	$ 8,000	$ -
Supplemental Disclosure of Cash Flow Information		
Cash paid for taxes	$ 800	$ -

See notes to financial statements

1. Nature of Operations

Breakfast Club Franchising, Inc. (the Company) was established on September 22, 2022. The Company was formed to franchise restaurants that offer breakfast, brunch and lunch under the Breakfast Club brand. The Company intends on entering into agreements with franchisees throughout the United States. The Company has not entered into any such agreements as of December 31, 2023.

Going Concern

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 205-40, Presentation of Financial Statements, management, on an annual basis, evaluates whether there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. When management identifies conditions or events that raise substantial doubt about the Company's ability to continue as a going concern, management considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the substantial doubt. The mitigating effect of management's plans will be considered to the extent that (1) it is probable that the plans will be effectively implemented and (2) it is probable that the plans will mitigate the conditions or events that raise substantial doubt. The Company discloses information that enables users of the financial statements to understand those conditions and events that raise substantial doubt and management's plans to mitigate the risk.

As shown in the financial statements, the Company reported recurring net losses and negative cash flows used in operations. The Company also has a working capital deficit as of December 31, 2023. Management plans on implementing operational strategies to generate franchise sales to achieve the needed working capital to sustain operations; however, there can be no assurance that such sales will occur. Accordingly, additional sources of financing may be required in order to maintain the Company's operations. Whereas management believes it will have access to financing resources, no assurance can be given that such additional sources of financing will be available on acceptable terms, on a timely basis or at all. Therefore, there is substantial doubt about the entity's ability to continue as a going concern for a period of at least 12 months from the financial statements issuance date.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying balance sheet has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented on the accrual basis of accounting.

Cash

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. As of December 31, 2023 and 2022, the Company did not have any cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates.

Revenue Recognition

Franchise fee revenue from the sale of individual franchises will be partly recognized over the term of the individual franchise agreement and partly upon distinct preopening performance obligations being satisfied. Unamortized nonrefundable fees collected in relation to the sale of franchises will be recorded as deferred franchise fee revenue.

In addition to franchise fee revenue, the Company expects to collect a royalty fee, which is a percentage of gross sales from its future franchisees. Royalties will be recognized as revenue as the related sales are made by the future franchisees.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code (IRC). Therefore, the Company does not pay federal corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal income taxes on their respective share of the Company's taxable income. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. The Company recorded $800 of state income tax expense during the year ended December 31, 2023. No income tax expense was recorded for the period from September 22, 2022 (inception) to December 31, 2022.

Recent Accounting Pronouncements

The Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, during the year ended December 31, 2023, as it entered into a new lease agreement.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for the Company's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. As of December 31, 2023, the Company recorded an operating lease right-of-use asset and a lease liability of $335,599 and $340,504, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Company's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Company has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use the Company's incremental borrowing rate, the Company elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Company elected not to apply the recognition requirements to leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.
- The Company elected to account for its leases using the portfolio approach for future leases; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 3.

3. Commitments and Contingencies

Operating Lease

The Company leases its office facility from an unrelated third party under a noncancelable operating lease that commenced in September 2023 and expires in August 2033.

Right-of-use asset represents the Company's right to use an underlying asset for the lease term, while lease liability represents the Company's obligation to make lease payments arising from the lease. Right of use asset and lease liability are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

The Company's lease includes options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when it is reasonably certain these options will be exercised, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with GAAP.

The Company made significant assumptions and judgments in applying the requirements of GAAP. In particular, the Company:

- Determined the discount rate used to measure the lease liability.
- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.

The following table summarizes the operating lease right-of-use asset and operating lease liability as of December 31, 2023:

Operating lease right-of-use asset	$ 335,599
Operating lease liability:	
Current	$ 27,071
Long-term	313,433
Total operating lease liability	$ 340,504

Operating lease expenses incurred related to this lease totaled $14,187 for the year ended December 31, 2023.

The right-of-use asset and lease liability were calculated using a weighted average discount rate of 4.18%. As of December 31, 2023, the weighted average remaining lease term was one hundred sixteen months.

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending December 31:	
2024	$ 40,594
2025	38,244
2026	39,384
2027	40,572
2028	41,784
Thereafter	228,504
Total lease payments	429,082
Less present value discount	(88,578)
Total lease liability	340,504
Less current portion	(27,071)
Long-term lease liability	$ 313,433

4. Related Party Transactions

During the year ended December 31, 2023, the Company's shareholder paid for certain expenses on behalf of the Company. Some of these expenses are required to be reimbursed to the shareholder. As a result, the Company has a payable to a related party of $8,000 as of December 31, 2023. The shareholder does not charge interest or require collateral for the payable, but the payable is due at the shareholder's discretion. The Company also reported a $32,982 noncash capital contribution on the accompanying statements of changes in shareholder's equity during the year ended December 31, 2023. This represents expenses paid by the shareholder on behalf of the Company that does not require reimbursement.

5. Subsequent Events

The Company has evaluated subsequent events through September 5, 2024, the date that the financial statements were available to be issued.

EXHIBIT D

THE BREAKFAST CLUB AT MIDTOWN™

FRANCHISE AGREEMENT

TABLE OF CONTENTS

PAGE

<u>Exhibits</u>

THE BREAKFAST CLUB AT MIDTOWN™

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is entered into as of _____________, by and between Breakfast Club Franchising, Inc., a California corporation ("**Franchisor**"), and _______________________, a(n) ___________________ ("**Franchisee**"), with reference to the following facts:

A. Franchisor has the right to operate and grant to others the right to operate "The Breakfast Club at Midtown" restaurants featuring high quality creative American breakfast and lunch fare, in an up-beat atmosphere and fun, hip environment that is also family-friendly, in accordance with certain proprietary practices and procedures ("**Proprietary Information**") that are part of a system relating to the establishment, development, operation and management of such restaurants ("**System**");

B. Franchisor has the right to license various trademarks, trade names, service marks, designs, emblems, logos, slogans, copyrights, it designates, Trade Dress, as defined below, trade secrets, commercial symbols and other indicia it designates including, without limitation, "The Breakfast Club at Midtown™," now or hereafter used or intended to be used in connection with the System, and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body ("**Marks**"); and

C. Franchisor licenses the right to use the System and the Marks in the operation of The Breakfast Club at Midtown restaurants ("**Franchised Business**"). Franchisee is an independent business owner and desires to obtain the right to open and operate a Franchised Business. Franchisor is willing to grant Franchisee a franchise to operate a Franchised Business upon the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of these premises and of the mutual covenants contained herein, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

1. GRANT OF RIGHTS

A. NON-EXCLUSIVE LICENSE

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, a non-exclusive license to use the Marks and the System solely in the operation of the Franchised Business at one (1) location to be determined pursuant to the terms and conditions of this Agreement within the geographic area described in **Exhibit A** attached hereto ("**Geographic Area**"). Franchisee acknowledges and agrees that it does not have any territorial or exclusive rights whatsoever with regards to the Geographic Area and that there may be other parties seeking locations to operate Franchised Businesses in the Geographic Area. If another prospective franchisee identifies a location in the Geographic Area and obtains Franchisor's consent to that location, that location and the area surrounding it will no longer be available.

B. LOCATION AND PROTECTED AREA

At such time that Franchisee identifies and Franchisor approves a location for the Franchised Business within the Geographic Area pursuant to the procedures set forth in Section 1.D of this Agreement, Franchisor and Franchisee shall execute a separate addendum to this Agreement, substantially in the form of Exhibit "B" attached hereto, identifying the location and the protected area within which the Franchised Business is located ("**Protected Area**"). Subject to Franchisee's full compliance with its obligations under this Agreement and except as set forth below, Franchisor shall not open and operate, or authorize another party to open and operate, a Franchised Business in the Protected Area. Franchisor reserves the right to operate restaurants similar to the Franchised Business in the following locations both within and outside the Protected Area: airports, train or other transportation stations, hotels, military bases, convention centers, arenas and stadiums, entertainment venues, casinos, college campuses, enclosed shopping centers, mall food courts, amusement and theme parks, resorts, museums or similar venues ("**Non-Traditional Locations**"). Franchisor also reserves the right to conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed. Franchisor may also acquire, be acquired by, merge or combine with another company that operates or license others to operate restaurants in the Protected Area.

C. FRANCHISOR'S RESERVATION OF RIGHTS

Franchisor reserves any and all rights not specifically granted to Franchisee under this Agreement. Franchisee acknowledges that this Agreement does not restrict Franchisor, ATG Investments, LLC or their affiliates from conducting businesses using marks or commercial symbols different from the Marks either within or outside of the Protected Area, nor does it preclude them from using the Marks or licensing the right to others to use the Marks for purposes other than operating its Franchised Business. Franchisor reserves the right to operate and franchise the right to operate Franchised Businesses in Non-Traditional Locations both within and outside the Protected Area. Franchisor also reserves the right to conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed without any obligation to pay Franchisee. Franchisor reserves the right to sell and distribute the products and services offered by Franchisor at wholesale, and to sell and distribute such products and services through other channels of distribution such as grocery stores, supermarkets, box stores and similar locations either within or outside of the Protected Area. Franchisor also reserves the right to acquire, be acquired by or merge or combine with another company that operates or licenses others to operate restaurants in the Protected Area and to continue to operate and expand such restaurant operations.

D. SITE SELECTION PROCEDURE AND SITE DEVELOPMENT

(1) Franchisee's Obligation. Franchisee shall operate the Franchised Business at a site in the Geographic Area accepted in writing by Franchisor. Franchisor will provide criteria for locating a site for the Franchised Business but Franchisee is solely responsible for all cost, liability, expense, risk and obligation to locate, obtain financing for and develop the site of the Franchised Business and for constructing and equipping the Franchised Business at the site. Franchisee must obtain Franchisor's consent to the real estate broker that will assist Franchisee in selecting sites.

(2) Site Proposal. Franchisee shall submit to Franchisor, in the form prescribed by Franchisor, all relevant information concerning a proposed site including, without limitation, the general location and neighborhood, zoning of the site, demographic information about the surrounding area, locations of any other restaurants in the general area of the proposed site, any complementary businesses, traffic flow, parking, rent, size, layout, physical characteristics of the location, building restrictions, lease terms and such other information as Franchisor may require (collectively, **"Site Proposal"**). The Site Proposal shall include: (a) a property description; (b) a demographic profile of the site; (c) a rendering or design plan showing the preliminary proposed layout, including floor plans and prototype and construction drawings for the conceptual appearance of the Franchised Business; and (d) information about the community in which the proposed site is located. Franchisee must submit a Site Proposal and obtain Franchisor's consent to a site within ninety (90) days of signing this Agreement. Franchisee must obtain Franchisor's consent to the architect Franchisee will use in developing construction drawings and floor plans for its location.

(3) Franchisor's Evaluation. No Site Proposal shall be deemed accepted unless acceptance is issued by Franchisor in writing. Franchisor will accept or reject the Site Proposal within ten (10) business days after it receives Franchisee's notice and all relevant information that Franchisor requires or requests from Franchisee. Franchisor may reject the Site Proposal for any reason. If Franchisor rejects a Site Proposal, Franchisee must find another site and submit a new Site Proposal.

(4) Design and Plans. Franchisor will provide Franchisee input on the design or renovation of the site for the Franchised Business. Franchisee shall develop, at its own cost and subject to Franchisor's consent, a full set of plans and drawings for the Franchised Business. Franchisee shall obtain Franchisor's consent to the architect Franchisee hires to prepare floor plans for both the front and back of house areas as well as interior elevations of the Franchised Business. Once Franchisee has obtained Franchisor's written consent to such floor plans, Franchisee shall have its architect prepare construction plans showing site dimensions, topographical evaluations, building type and placement on site, proposed ingress and egress and access to utilities such as electricity and water. Franchisee's plans shall include any modifications required to comply with local governmental requirements and a proposed equipment list, as well as schedules showing all equipment and fixtures to be installed (collectively, "**Plans**"). The Plans will include specifications for surveillance cameras to be installed at the Franchised Business. Franchisee shall submit the Plans to Franchisor for Franchisor's review and

shall not proceed until Franchisor provides its written consent to the Plans. Franchisor shall respond to Franchisee concerning the proposed Plans within ten (10) business days after Franchisor receives the complete proposed Plans. It shall be Franchisee's sole responsibility to submit the Plans to the appropriate governmental entities for their approval and permitting, in order to comply with local law regarding the securing of any local authority and permits, licenses, or other necessary governmental approvals. If any such governmental entities require modifications to the Plans, Franchisee shall submit such modifications to Franchisor for review and consent prior to commencement of construction, refurbishing, renovating or equipping the Franchised Business. Franchisee shall also submit to Franchisor for review and consent full engineering drawings, including, without limitation, electrical, plumbing, heating, ventilation and air conditioning (HVAC), refrigeration and restaurant drawings. Franchisee may not begin construction until Franchisor has provided its consent to the engineering drawings.

(5) Construction. Franchisee shall retain a contractor for the Franchised Business that is commercially licensed and insured and that has experience in building structures similar to the Franchised Business. Franchisor will provide standards and qualifications to assist Franchisee in identifying contractors, and upon request by Franchisee, evaluate the contractor Franchisee selects. The contractor selected by Franchisee shall name Franchisee and Franchisor as additional insureds under its insurance policies. Franchisee shall cause its contactor to adhere to the Plans to which Franchisor has consented and the contractor may not deviate from the Plans without Franchisor's prior written consent. Franchisor reserves the right to monitor the construction process, and Franchisee shall accord Franchisor complete access to its construction bids, progress and costs, and upon request by Franchisor, videos and photographs of the progress of the construction.

(6) Signage and Decorating Materials. All signage and decorating materials at the Franchised Business site shall conform to Franchisor's specifications. In particular, Franchisee must post a prominent sign in the Franchised Business identifying Franchisee as a franchisee of Franchisor in a format that Franchisor deems acceptable, including an acknowledgement that Franchisee independently owns and operates the Franchised Business and that the Marks are owned by Franchisor and Franchisee's use is under a license Franchisor has issued to Franchisee.

(7) Lease. Franchisee will not sign a lease or contract for the location of the Franchised Business without receiving Franchisor's prior written consent. Franchisor may refuse to consent to a lease for any reason. The lease or contract must contain such additional terms and conditions as Franchisor may require to provide for the protection of Franchisor's rights and interests, including but not limited to a conditional lease assignment to Franchisor or its nominee in a form acceptable to Franchisor, and including the following:

(a) the absolute and unconditional right of Franchisee to assign its interest in the lease to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;

(b) the landlord's acknowledgment that Franchisee will not assign or transfer the lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(c) the landlord's consent to Franchisee's use of such signage and other displays of the Marks as Franchisor may require;

(d) the obligation of the landlord to notify Franchisor in writing of any default by Franchisee of any of the terms and conditions of the lease and to provide to Franchisor, at Franchisor's option, the right to cure any default under the lease within fifteen (15) days after expiration of the period in which Franchisee is required to cure the default, if Franchisee fails to do so; provided, however, that Franchisee shall reimburse Franchisor for any costs and expenses incurred to cure the default;

(e) that no amendment, addition, or other modification or change be made to the lease without obtaining the prior written consent of Franchisor;

(f) that upon expiration or termination for any reason of this Agreement, Franchisee's rights under the lease will, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice to the landlord by Franchisor;

(g) Franchisee's acknowledgment that the landlord may rely upon notice from Franchisor and will not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(h) that such notice will, without further act or formality, operate as an effective assignment of Franchisee's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Franchisee under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord for any liabilities arising from or relating to Franchisee's actions, failure to act or defaults prior to the assignment of the lease;

(i) Franchisee's acknowledgment that the landlord will, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the landlord's possession respecting the premises and the operation of the Franchised Business, including, without limitation, revenue information;

(j) the landlord's acknowledgment that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason whatsoever, to enter the premises and to make any alterations to the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with the System as required by this Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the premises; and

(k) that Franchisor will be a third party beneficiary under the lease.

Franchisee shall be responsible for all costs associated with the negotiation of the lease. Franchisee shall fully perform all obligations to be performed by Franchisee under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Franchisee in response to the notice. All amounts spent by Franchisor to cure any breach by Franchisee of the lease for the site of the Franchised Business shall be due to Franchisor from Franchisee upon Franchisor's written demand. Nothing herein shall create an obligation on the part of Franchisor to cure any breach by Franchisee.

(8) Opening. Franchisee shall not start operating the Franchised Business and open it to the public until Franchisor has given its consent in writing. Franchisee shall satisfy the conditions to commencement of operations, including, without limitation, the completion of the Initial Training Program, as defined below. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to giving its consent and from time to time during the term of this Agreement. Franchisee must begin operations within one hundred eighty (180) days after the date that Franchisor consents to the location.

FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE REVIEW OF THE SITE, THE SITE PROPOSAL, THE LEASE AND PLANS, AND IN OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED BUSINESS, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE, THE PLANS, OR THE SUCCESS OR PROFITABILITY OF THE FRANCHISED BUSINESS TO BE OPERATED AT A LOCATION.

(9) Relocation. Franchisee may not relocate the Franchised Business without Franchisor's prior written consent. Franchisee shall pay to Franchisor a relocation fee of seventy-five percent (75%) of the then-current initial franchise fee and further reimburse Franchisor for any travel and other expenses incurred for Franchisor's assistance in relocating the Franchised Business, including evaluating the new site and reviewing and approving the design of the new facility. This fee is payable fifty percent (50%) when Franchisee notifies Franchisor of its request to relocate and fifty percent (50%) when Franchisor consents to the relocation. The relocation fee is deemed earned when paid and is non-refundable.

E. TERM AND RENEWAL

(1) Term. The term of this Agreement shall begin on the date it is executed by Franchisor and shall continue for ten (10) years, subject to earlier termination as provided herein.

(2) Renewal. Subject to compliance with each and every one of the conditions set forth below, Franchisee shall have the option to renew the right to operate the Franchised Business for two (2) additional, consecutive periods of five (5) years each:

(a) Franchisee must sign Franchisor's then-current form of Franchise Agreement which may contain terms that are materially different from those set forth in this Agreement provided, however, that the term of the Franchise Agreement will be the then-remaining term of this Agreement; and

(b) At the expiration of the initial term or preceding renewal term, as applicable, Franchisee must be in full compliance with this Agreement, and all other contracts between Franchisee and Franchisor and its affiliates, and in particular, must have paid all sums owing to Franchisor and its affiliates as and when due; and

(c) Franchisee must pay to Franchisor a successor agreement fee of twenty-five percent (25%) of the then-current non-discounted initial franchise fee; and

(d) Franchisee and those of Franchisee's personnel that Franchisor designates, must complete re-training to Franchisor's satisfaction; and

(e) Franchisee (and its principals and affiliates if Franchisee is a corporation or other entity) shall execute and deliver a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its affiliates and associates, officers, directors, managers, shareholders, members, employees, agents and representatives; and

(f) Franchisee shall not have received three (3) or more notices of default during any twenty-four (24) month period during the initial term or preceding renewal term, as applicable; and

(g) Franchisor must not have decided to withdraw from Franchisee's Protected Area; and

(h) Franchisee's Franchised Business must meet Franchisor's then-current requirements or Franchisee must make all expenditures deemed necessary by Franchisor to update the Franchised Business' equipment, signage and decor to reflect Franchisor's then-current requirements and image; and

(i) Franchisee must have the right to occupy the premises of its Franchised Business for the renewal term.

Franchisee shall notify Franchisor no later than one hundred eighty (180) days prior to the expiration of the initial term or the preceding renewal term, as applicable, of this Agreement if Franchisee wishes to enter into a new Franchise Agreement with Franchisor at the expiration of the initial term or preceding renewal term, as applicable. Franchisee shall have no right to enter into a new agreement with Franchisor if Franchisee fails to do so or if Franchisee fails to comply with each of the conditions set forth above in a timely manner or if Franchisee fails to return to Franchisor any documents within thirty (30) days after Franchisor has delivered them to Franchisee.

2. TRAINING AND OPERATING ASSISTANCE

A. TRAINING

(1) Franchisee shall furnish to Franchisee and such personnel of Franchisee as Franchisor designates, an initial training program during such period of time as Franchisor designates for up to two (2) weeks ("**Initial Training Program**"). The Initial Training Program may be offered at Franchisor's headquarters or at another location designated by Franchisor in its discretion. Franchisee, Franchisee's kitchen manager and front-of-the-house/bar manager must complete the Initial Training Program to the sole satisfaction of Franchisor.

(2) Franchisor shall have the right, during the Initial Training Program, to further evaluate Franchisee's fitness to operate under this Agreement. In the event Franchisee, Franchisee's kitchen manager and front-of-the-house/bar manager fail to complete the Initial Training Program to Franchisor's satisfaction between four (4) to six (6) weeks before the opening of The Breakfast Club at Midtown, Franchisor shall have the right to terminate this Agreement.

(3) Franchisee shall not be charged an additional fee for the Initial Training Program for three (3) individuals who attend at the same time. If Franchisee wishes to send additional individuals to attend the Initial Training Program or requests that Franchisor provide the Initial Training Program to additional personnel at a later date, Franchisor may charge a fee to provide it.

(4) Franchisor may require Franchisee and those of Franchisee's personnel as Franchisor may designate to attend refresher and additional training courses for up to ten (10) days per year. Franchisor may also require Franchisee to attend additional training if Franchisor deems it necessary or appropriate, or Franchisee may request additional on-site training or assistance and Franchisor will determine whether or not to provide it. If Franchisor provides additional training, whether required by Franchisor or requested by Franchisee, Franchisee agrees and acknowledges that Franchisor may designate the location for such training. Franchisee will pay Franchisor's then-current per-day, per-trainer training fee. If Franchisor requires that such additional training be held at the Franchised Business location, Franchisee will also pay the expenses of the trainer or trainers, including lodging, transportation and food. Franchisee will pay the training fee to Franchisor before Franchisor conducts the training. Franchisor may also require

Franchisee and certain of Franchisee's personnel to attend national business meetings or conventions each year.

(5) Franchisee shall be responsible for all travel and living expenses, if any, that Franchisee and any of Franchisee's personnel may incur in connection with the Initial Training Program or refresher or additional training and in attending national business meetings or conventions.

(6) Franchisee shall be responsible for training Franchisee's employees.

B. ADDITIONAL INITIAL OPERATING ASSISTANCE

Franchisor shall provide Franchisee with on-site assistance with operating the Franchised Business for approximately two (2) days prior to opening and two (2) days after opening.

C. THE BREAKFAST CLUB AT MIDTOWN STANDARDS MANUAL

Franchisor will lend to Franchisee for use during the term of this Agreement a copy of Franchisor's proprietary and confidential system standards manual, which Franchisor may amend from time to time, containing mandatory and suggested specifications, standards, procedures and rules for the System designed to protect and maintain the value of the Marks and the System ("**The Breakfast Club at Midtown Standards Manual**"). All such mandatory specifications, standards, procedures and rules prescribed from time to time in The Breakfast Club at Midtown Standards Manual or otherwise communicated to Franchisee in writing, shall constitute requirements of this Agreement and shall be confidential. Franchisee will not at any time copy any part of The Breakfast Club at Midtown Standards Manual, disclose any information contained in The Breakfast Club at Midtown Standards Manual to others or permit others access to The Breakfast Club at Midtown Standards Manual. Franchisee acknowledges and agrees that The Breakfast Club at Midtown Standards Manual may be modified from time to time to reflect changes in the standards of authorized products or services or the System. All modifications to The Breakfast Club at Midtown Standards Manual shall be binding upon Franchisee upon being communicated or otherwise delivered to Franchisee. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee's sole cost. The Breakfast Club at Midtown Standards Manual will contain Proprietary Information belonging to Franchisor and Franchisee acknowledges that The Breakfast Club at Midtown Standards Manual is, and shall remain, the property of Franchisor. Franchisee shall promptly return The Breakfast Club at Midtown Standards Manual to Franchisor upon termination or expiration of this Agreement. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establish and maintain a common identity. Franchisee agrees and acknowledges that full compliance with the mandatory requirements in The Breakfast Club at Midtown Standards Manual is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the Franchised Business in accordance with the System and The Breakfast Club at Midtown Standards Manual can cause damage to all of the other parties described above, as well as to Franchisee. Notwithstanding the foregoing and consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of the Franchised Business.

D. PERIODIC ADVICE AND CONSULTATION

Franchisor shall, from time to time, to the extent it deems necessary, furnish Franchisee advice or consult with Franchisee on the operation of the Franchised Business in order to communicate new developments, techniques and services, which may include assisting in the preparation of annual business plans and conducting site visits. Franchisor will periodically, with such frequency as Franchisor shall determine in its sole discretion, consult with Franchisee in the development of its business. Any guidance, suggestions or advice provided to Franchisee in the course of such consultation shall be deemed suggestions only, and the decision to follow any such guidance, suggestions or advice shall be in Franchisee's sole discretion. In particular, and not in limitation of the foregoing, Franchisee shall be solely responsible for all policies and decisions concerning its employees and shall consult with its own independent advisors with respect to those policies and decisions.

3. OPERATION BY FRANCHISEE

A. PRODUCTS AND SERVICES

(1) Franchisee shall offer to customers of the Franchised Business only those products and services designated by Franchisor from time to time and shall provide such products and services strictly in accordance with the standards and specifications described in The Breakfast Club at Midtown Standards Manual and the Initial Training Program. Franchisee may not sell any products at wholesale. If Franchisee offers products or services that are not authorized by Franchisor, Franchisor and the System will suffer damages in types and amounts that are difficult to quantify. The parties agree that a reasonable estimate of those damages is Two Hundred Fifty Dollars ($250.00) per day, and Franchisee shall pay Franchisor this amount for each day that it offers unauthorized products or services. Payment of this amount and acceptance by Franchisor shall not be deemed Franchisor's authorization to Franchisee to offer such products. Franchisor will provide Franchisee with a menu for the Franchised Business, and Franchisee must offer the items (and only the items) designated on the menu. Franchisee agrees and acknowledges that Franchisor may make changes to the menu from time to time. Franchisor may, but is not obligated to, permit Franchisee to offer catering or delivery services within the Protected Area. Franchisor may also develop or designate a catering or a delivery program. If it does so, Franchisor may require Franchisee to participate in the program. Franchisee shall offer online ordering for customer pickup in accordance with Franchisor's requirements, as designated from time to time in The Breakfast Club at Midtown Standards Manual. The area in which Franchisor may authorize Franchisee to conduct catering, on-line ordering and delivery will be the Protected Area.

(2) Franchisee shall at all times provide prompt, courteous, friendly and efficient service to all customers. Franchisee shall in all dealings with all customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees not to deviate from the mandatory standards, specifications and operating procedures set forth in this Agreement and The Breakfast Club at Midtown Standards Manual in order to ensure uniformity and quality of services offered to the public under the Marks.

(3) Franchisee must comply with Franchisor's policy on political statements and refrain from making any such statements or permitting its personnel to post signs, banners or other political symbols or to wear clothing endorsing a political candidate or movement.

B. <u>PURCHASE OF PRODUCTS AND SERVICES; APPROVED SUPPLIERS</u>

(1) Franchisee shall purchase any and all products (including, without limitation, products bearing the Marks), and any and all other equipment, supplies and services required or used in the operation of the Franchised Business only from: (a) manufacturers, suppliers or distributors from time to time designated in writing by Franchisor; (b) from Franchisor or its affiliate, if available; or (c) such other suppliers selected by Franchisee and approved by Franchisor in the manner and subject to the conditions set forth in subsection (2) below. Prior to Franchisee's opening of the Franchised Business, Franchisor may designate and negotiate pricing with suppliers for any merchandise, equipment, inventory, and supplies required in the operation of the Franchised Business. Franchisee agrees and acknowledges that certain specially designed materials, equipment, proprietary products, certain services and items used in the Franchised Business that are integral to the System may only be available from Franchisor or its designated supplier. Franchisor will assist Franchisee in placing orders for Franchisee's initial inventory.

(2) Franchisor may, in its sole discretion, approve suppliers proposed by Franchisee provided the following conditions are first met, and provided, further, that if Franchisor determines that there are already a sufficient number of suppliers for an item or service or determines for any reason that no additional suppliers are necessary or desirable, Franchisor shall not be required to evaluate any additional suppliers:

(a) Franchisee shall submit a written request to Franchisor for approval of the supplier;

(b) Franchisee shall reimburse Franchisor for its costs (including travel expenses) in evaluating the proposed supplier;

(c) The supplier shall demonstrate to Franchisor's satisfaction that it is able to supply an item or service to Franchisee meeting Franchisor's specifications for such item or service, including, but not limited to, providing Franchisor with samples and the opportunity to inspect its facilities from time to time;

(d) The supplier shall demonstrate to Franchisor's satisfaction that the supplier is of good standing in the business community with respect to its financial soundness and reputation and the reliability of its product and service;

(e) The supplier shall obtain, maintain and submit to Franchisor proof of sufficient insurance coverage (including, but not limited to, product liability coverage) at limits and including coverage acceptable to Franchisor, and shall include Franchisor and Franchisee as additional named insureds with the right to receive at least thirty (30) days' prior written notice of any modification, cancellation or termination of such policy; and

(f) In the event the item to be supplied is required to bear one of the Marks, Franchisor may require such supplier to execute a license agreement (which may include a royalty payment) in a form acceptable to Franchisor.

(3) Until and unless Franchisor notifies Franchisee in writing that it has approved a supplier, Franchisee must continue to purchase from the parties described in subsection (1) above.

(4) If Franchisor determines that a previously approved supplier no longer conforms to such standards, it shall so notify Franchisee and Franchisee shall thereupon discontinue making purchases from that supplier.

C. ALTERATIONS AND REMODELING

Franchisee shall not make any alterations to the Franchised Business premises, or to any improvements, layout, fixtures, and furnishings, signs, equipment, or appearance thereof or other elements of the Trade Dress, as defined below, without the prior written consent of Franchisor. At all times during the term of this Agreement, Franchisee shall maintain the Franchised Business to meet Franchisor's then-current specifications and standards for The Breakfast Club at Midtown restaurants.

D. SPECIFICATIONS, STANDARDS AND PROCEDURES

Franchisee acknowledges that each and every detail of the design, layout, decor, color scheme, supplies utilized, services offered, appearance of the premises and personnel, and other elements of trade dress in the operation of the Franchised Business ("**Trade Dress**") is essential to Franchisor and the System. In order to protect the System, Franchisee shall comply with all mandatory specifications, standards and procedures relating to: (1) the type and quality of the products and services offered by the Franchised Business; (2) the appearance, color, indicia and signage of the Franchised Business premises; (3) the appearance of employees; (4) cleanliness, standards of services, and operation of the Franchised Business; (5) submission of requests for approval of materials, supplies, distributors and suppliers; and (6) safety procedures and programs prescribed by Franchisor. Franchisee also agrees to use all equipment, signage and services as have been approved for the System from time to time by Franchisor. Mandatory specifications, standards, and procedures may be prescribed from time to time by Franchisor in The Breakfast Club at Midtown Standards Manual, or otherwise communicated to Franchisee in writing.

E. SUPERVISION; DUTY TO DILIGENTLY CARRY OUT OBLIGATIONS

Franchisor requires that the operation of the Franchised Business be under the direct supervision of Franchisee during the first year of operation. Franchisee must also retain an operating manager for the Franchised Business and that operating manager must complete the Initial Training Program to Franchisor's satisfaction and execute a confidentiality and non-competition agreement in a form acceptable to Franchisor. If the operating manager is terminated or otherwise elects to end its relationship with Franchisee, Franchisee shall designate a new operating manager who must also complete the/ Initial Training Program to Franchisor's satisfaction within thirty (30) days.

F. CHANGES TO SYSTEM OR MARKS

Franchisee acknowledges that the System may continue to evolve in order to reflect changing markets and to meet new and changing business demands, and that accordingly Franchisor may make variations and additions to the System from time to time in order to preserve and enhance the System. Franchisee agrees that Franchisor may, from time to time, upon notice, add to, subtract from or otherwise modify or change Franchisee's obligations under the System, including, without limitation, changes reflecting Franchisor's adoption and use of new or modified Marks, services, equipment and new techniques. Franchisee agrees promptly to accept and implement all such additions, modifications and changes at Franchisee's sole cost and expense (e.g., changing signs, destroying or recalling advertising and promotional items). Franchisee agrees and acknowledges that if Franchisee develops any component of (or improvement to a component of) the System which Franchisor permits or adopts for use in the Franchised Business, such component and improvement will belong to Franchisor and Franchisee shall have no ownership right or interest in such component. Franchisee agrees to take any action necessary to confirm that Franchisor shall own such component.

G. COMPLIANCE WITH LAW AND GOOD BUSINESS PRACTICES

(1) Prior to beginning operations, Franchisee shall secure in Franchisee's name as the owner of an independent business all required licenses, permits and certificates relating to Franchisee's operation of the Franchised Business. Franchisee acknowledges that such licenses, certificates and permits may require the payment of security deposits and other fees. Franchisee shall maintain all such licenses, permits and certificates in full force and effect throughout the term of this Agreement.

(2) Franchisee shall operate in full compliance with all applicable laws, ordinances and regulations, including, without limitation, such laws, ordinances and regulations relating to the sale of food and alcoholic beverages, occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes, trade name and

advertising restrictions, building codes and handicap access. In particular and not in limitation of the foregoing, Franchisee shall comply with the Americans with Disabilities Act and all applicable laws and regulations concerning data protection and privacy.

(3) Franchisee must also comply with all laws governing consumer data and privacy and employ all means to maintain the security of consumer data. If any data security incident occurs, Franchisee shall notify Franchisor immediately and shall take steps to address and remedy such incident. Franchisor is not obligated to remedy Franchisee's data security issue, but if Franchisor requires Franchisee to take certain steps including, without limitation, the retention of a remediation expert, Franchisee will do so. A data security incident includes an act originated within or outside Franchisee's organization affecting Franchisee's computer system or other technology that violates the law or Franchisor's policies and involves unauthorized access to view, copy or use the System, customer data, confidential information or trade secrets. Immediately upon receipt of any citation, notice, complaint or other indication that Franchisee or any of its personnel has violated any law or regulation, Franchisee shall immediately notify Franchisor and transmit to Franchisor copies of all such citations, notices, complaints or other such indications.

(4) Franchisee shall operate the Franchised Business in a safe and secure manner that optimizes public health and safety. Franchisee is solely responsible for determining and addressing all safety concerns relating to the condition of the premises and surrounding areas, the operation of any vehicles in connection with the Franchised Business and otherwise.

(5) Immediately upon receipt of any citation, notice, complaint or other indication that Franchisee or any of its personnel has violated any law or regulation, Franchisee shall immediately notify Franchisor and transmit copies of all such citations, notices, complaints or other such indications, along with all available information including, without limitation, Franchisee's proposal to contest or remedy the violation.

H. INSURANCE

Before beginning to operate the Franchised Business, Franchisee must procure all insurance required by Franchisor from an insurer or insurers that meet Franchisor's criteria and which have a minimum Best's Rating of A or other comparable rating. Such insurance shall include coverage insuring against all loss and liability arising out of or in connection with the operation of the Franchised Business including, without limitation, public liability insurance, comprehensive coverage for the Franchised Business, liquor liability coverage, personal injury insurance, automobile/van coverage for Franchisee's vehicles, property damage insurance, business interruption coverage, worker's compensation insurance, including employer's liability, with limits as required by law, and any other specialty coverage Franchisor requires and including, without limitation, such other limits and coverage as Franchisor may periodically require. Franchisee shall maintain such insurance coverage in full force and effect during the entire term of this Agreement. All such insurance must include coverage for losses that incur for two years after the expiration or termination of this Agreement. Franchisee shall cause Franchisor and any of its affiliates that Franchisor specifies to be named as additional insureds under all such policies. Franchisee shall further cause Franchisee's insurance agent to copy Franchisor on all insurance policies written and issued on behalf of Franchisee. In addition, all such policies shall provide for thirty (30) days' prior written notice to Franchisor of any material modification, cancellation or expiration. Upon request, Franchisee shall provide Franchisor with a certificate and any other documents Franchisor requires evidencing coverage for each policy and renewal policy Franchisee obtains. All amounts spent by Franchisor to secure any insurance coverage Franchisee fails to obtain shall be due to Franchisor by Franchisee upon Franchisor's written demand. Nothing herein shall create any obligation on the part of Franchisor to secure any insurance coverage for Franchisee. Franchisee also acknowledges that Franchisor may periodically adjust the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, or other relevant changes in circumstances. Franchisee must also provide a waiver of subrogation in Franchisor's favor and provide that Franchisee's insurance policies are primary and non-contributory to any policies Franchisor may carry.

4. CONFIDENTIAL INFORMATION

A. OWNERSHIP

Franchisee acknowledges that there is information disclosed by Franchisor pursuant to this Agreement and ancillary agreements, during the Initial Training Program, in The Breakfast Club at Midtown Standards Manual and otherwise (including, without limitation, the Proprietary Information, recipes, ingredients, manuals, methods of service, customer lists and databases, sources and suppliers of equipment and, in general, methods, techniques, formulas, formats, specifications, standards, procedures, know-how, information systems and knowledge of the System and the entire contents of The Breakfast Club at Midtown Standards Manual), that is proprietary, confidential or a trade secret of Franchisor whether or not designated by Franchisor as confidential ("**Confidential Information**"). Such Proprietary Information includes customer information and data, all of which belongs to Franchisor. Franchisee acknowledges and agrees that Franchisor is the sole owner of all the Confidential Information, that the Confidential Information is being imparted to Franchisee in trust and confidence, and that the Confidential Information is not generally known to the trade or public and is not known to Franchisee except by reason of such disclosure. Franchisee acknowledges that the Confidential Information is economically valuable and that such value is derived from not being generally known to others. Franchisee agrees to maintain the absolute confidentiality of all Confidential Information during and after the term of this Agreement. Franchisee further acknowledges and agrees that Franchisee does not acquire any interest in the Confidential Information other than the right to utilize it in connection with the performance of Franchisee's obligations hereunder and the operations of the Franchised Business. In addition, Franchisee acknowledges and agrees that the use, duplication or disclosure of the Confidential Information except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable injury thereby.

B. <u>WORK PRODUCT</u>

Franchisee acknowledges and agrees that all documents, papers, notes and other material and work product containing or derived from the Confidential Information or connected with Franchisee's conduct of the Franchised Business shall be Confidential Information. Franchisee further acknowledges and agrees that Franchisee will have no proprietary interest in any work product developed or used by Franchisee and related to this Agreement and that all such work product is the sole property of Franchisor. Franchisee shall, upon Franchisor's request, do all things that may be necessary to establish or document Franchisor's ownership of any such work product.

C. <u>MAINTENANCE OF CONFIDENTIALITY</u>

Franchisee acknowledges and agrees that the Confidential Information is disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee hereby agrees, that Franchisee:

(1) will use the Confidential Information in strict accordance with the instructions and directions given by Franchisor from time to time;

(2) will not use the Confidential Information, directly or indirectly, in any other business or capacity;

(3) will not, at any time, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the Confidential Information, or any portion thereof, to any person or entity other than Franchisee's authorized employees or consultants who need to have such information in connection with their jobs and who first sign Franchisee's form of confidentiality agreement (in a form acceptable to Franchisor);

(4) will not copy any materials containing the Confidential Information, including, without limitation, The Breakfast Club at Midtown Standards Manual, without Franchisor's prior written consent;

(5) will observe and implement all procedures imposed from time to time by Franchisor to prevent the unauthorized use and disclosure of the Confidential Information;

(6) will keep The Breakfast Club at Midtown Standards Manual and other written materials containing any portion of the Confidential Information in a secure manner and place; and

(7) if Franchisee is legally compelled by a court or government agency to disclose any of the Confidential Information, will do so only if Franchisee has used its best efforts to afford Franchisor the opportunity of obtaining appropriate protective orders or other assurances of confidentiality satisfactory to Franchisor.

5. FEES

A. INITIAL FRANCHISE FEE

Franchisee must pay to Franchisor, upon execution of this Agreement, a non-refundable initial franchise fee of Forty Thousand Dollars ($40,000.00). The initial franchise fee is fully earned immediately upon payment and is non-refundable.

B. ROYALTY FEE

Franchisee shall pay to Franchisor a royalty equal to five percent (5%) of Gross Revenues ("**Royalty Fee**"). Franchisee shall pay the Royalty Fee on a weekly basis on Wednesday for the preceding calendar week. "**Gross Revenues**" means all revenues Franchisee receives from the operation of the Franchised Business (including, without limitation, any payments under Franchisee's business interruption insurance coverage and any condemnation awards) and deducting only amounts paid to any governmental tax authority and any employee meals and customer refunds made in accordance with Franchisor's policy.

C. SYSTEM MARKETING FUND FEE

Franchisor has a system marketing fund ("**System Marketing Fund**") to which Franchisee will be required to contribute up to three percent (3%) of Gross Revenues due weekly on Wednesday ("**System Marketing Fee**"). The System Marketing Fee is designated as one percent (1%) of Gross Revenues as of the date of this Agreement and is subject to change as determined by Franchisor, in its sole discretion. Franchisee shall pay the System Marketing Fee weekly on Wednesday for the preceding calendar week.

D. TECHNOLOGY FEE

Franchisee shall pay to Franchisor a technology fee of up to One Hundred Dollars ($100.00) per week to cover the cost of Franchisee's point-of-sale and back-of-the-office management system and for other technological services, such as licensing or help desk services for point-of-sale or other software, mobile app, CRM software, a franchise portal and exposure on Franchisor's website and is subject to change as determined by Franchisor ("**Technology Fee"**). The Technology Fee is Twenty-Five Dollars ($25.00) as of the date of this Agreement and is subject to change as determined by Franchisor in its sole discretion. Franchisee shall pay the Technology Fee on a weekly basis on Wednesday for the preceding calendar week.

E. PAYMENT METHOD

Franchisee must make payments by electronic funds transfer ("**EFT**"), and Franchisee shall execute and deliver such instruments as are necessary and appropriate to carry out such transfers. Franchisor shall have the right to vary the frequency of the due date of any payments (e.g., from weekly to monthly) and the method of payment from time to time.

F. NONPAYMENT

If Franchisor does not receive Franchisee's Royalty Fee, System Marketing Fee, Technology Fee, or any other payment hereunder by the dates they are due, Franchisee acknowledges that, in addition to exercising all other rights and remedies that Franchisor has, Franchisor may terminate this Agreement.

G. CHARGE ON LATE PAYMENTS; DISHONORED PAYMENTS

In addition to all other rights and remedies that accrue to Franchisor, late or overdue payments and late or overdue reports shall be subject to a late fee after the due date of One Hundred Dollars ($100.00) per day, not to exceed the highest applicable rate allowed by law. In the event any payment by Franchisee is made by check and is returned to Franchisor for insufficient funds, or is made by credit or debit card, by EFT or other form of payment, and such payment is dishonored, Franchisee will be assessed an administrative handling fee of Two Hundred Dollars ($200.00) in addition to all other applicable late fees and administrative charges. In such event, Franchisor may also require Franchisee to make all future payments by money order, cashier's check or a similar method of payment of immediately available funds. Franchisee acknowledges that this provision does not constitute agreement by Franchisor to accept such payments after they are due or a commitment to extend credit to, or otherwise finance such amounts.

H. NO WITHHOLDING OF PAYMENT

Franchisee agrees that Franchisee will not, on the grounds of the alleged nonperformance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

I. APPLICATION OF PAYMENTS; RIGHT OF OFFSET

Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any current or past due payments by Franchisee to any indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee.

J. TAXES

In the event Franchisee is required by local law to withhold or deduct any tax on behalf of Franchisor from any amount payable to Franchisor under this Agreement, then if Franchisor does not receive a refund or credit for such amount, Franchisee shall increase the payment made to Franchisor by that amount and shall provide Franchisor with the following: (1) documentation showing that Franchisor is being taxed at the lowest rate allowed under local law; and (2) written receipts from the appropriate taxing authority certifying that payments have been made on Franchisor's behalf at the rates previously communicated to Franchisor.

K. NONREFUNDABILITY

All fees required to be paid by Franchisee to Franchisor under this Agreement are non-refundable.

6. REPORTING AND RECORD KEEPING

A. COMPUTER SYSTEM

Franchisor has the right to designate the computer equipment and software Franchisee uses in the Franchised Business. Franchisee shall purchase and use computer hardware and software, including, without limitation, point-of-sale software, and maintain high-speed internet access, all of which meet or exceed Franchisor's specifications as set forth in The Breakfast Club at Midtown Standards Manual. Franchisee must pay the Technology Fee for technology services Franchisor or a third-party provides and which may include items such as licensing or help desk fees for point-of-sale and other software, mobile app, CRM software, a franchise portal, and exposure on Franchisor's website. Franchisee shall maintain all programs and information specified in The Breakfast Club at Midtown Standards Manual (and only such programs and information). Franchisee shall maintain, repair, upgrade or update any computer equipment used in the Franchised Business to maintain compatibility with any software Franchisor requires Franchisee to use, including, without limitation, point-of-sale software. Franchisee acknowledges and agrees that Franchisor shall have the right at any time to change or modify the computer system required and its components, including, without limitation, the required point-of-sale software. Franchisor has the right to develop proprietary computer software and to require Franchisee to use it. If Franchisor does so, Franchisee must sign a license agreement and pay a fee to use such software. Franchisor shall have independent access to the information on Franchisee's computer system, including the right to download any information. Franchisee acknowledges that neither Franchisor nor any affiliate of Franchisor has any obligation to provide ongoing maintenance, repairs, upgrades or updates to any of the computer hardware or software used in the Franchised Business.

B. RECORD KEEPING

Franchisee must have bookkeeping and accounting services that accurately reflect the Gross Revenues, receipts and reports, costs of labor, semi-variables, fixed costs and advertising, and the financial results of the Franchised Business, and also such procedures as may be more particularly described in The Breakfast Club at Midtown Standards Manual. Franchisee shall maintain an accounting system approved by Franchisor which fully and accurately reflects all aspects of the business conducted under this Agreement and which is compatible and consistent with the System.

C. REPORTS

With each payment of the Royalty Fee and System Marketing Fee, Franchisee shall also deliver to Franchisor a Gross Revenues report on a form designated or approved by Franchisor. Franchisee acknowledges that as of the date of this Agreement, Franchisor designates a third party accounting firm that Franchisee must use to generate its weekly profit and loss statements. Within thirty (30) days after the close of each calendar quarter and within one hundred twenty (120) days after the close of each fiscal year of Franchisee during the term of this Agreement, Franchisee shall provide to Franchisor a Gross Revenues report, profit and loss statement and, for the annual statement, a balance sheet, on such forms as Franchisor may require, prepared in accordance with U.S. generally accepted accounting principles. Within ten (10) days after filing with the Internal Revenue Service, Franchisee shall provide to Franchisor a copy of any and all tax returns. Franchisee shall also submit to Franchisor such other financial and non-financial reports and information as Franchisor may request. These statements and reports shall be certified as true and correct by Franchisee. Each such report shall be in the form and present the information required by Franchisor or described in The Breakfast Club at Midtown Standards Manual.

D. MAINTENANCE OF RECORDS AND REPORTS

All such books, records and tax returns shall be kept and maintained for at least four (4) years after their creation at the Franchised Business or such other place as may be agreed to from time to time in writing by the parties.

E. REQUIRED DISCLOSURE

Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the Franchised Business, including, without limitation, costs, revenues, earnings or other financial performance information. Franchisee agrees that Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor’s request.

7. INSPECTION AND AUDIT RIGHTS

A. TIMING AND SCOPE

Franchisor and its representatives shall have the right, at any time, with or without notice, to monitor and observe the conduct of the Franchised Business for the purpose of determining compliance with the requirements of this Agreement, for conducting quality assurance audits which may include customer surveys, and for any other purpose connected with the System. Franchisor may advise Franchisee of operating problems it discovers as a result of such activities or other reports.

B. MYSTERY SHOP PROGRAM

Franchisor may, at its option, establish a mystery shop program, or retain a third party to conduct a mystery shop program. If Franchisor does so, Franchisee shall pay

Franchisor a fee equal to the cost of the mystery shops conducted at the Franchised Business, which fee shall not exceed Two Hundred Fifty Dollars ($250.00) per month.

C. INSPECTIONS AND AUDITS

Franchisor's and its representatives shall have the right at all times during normal business hours to confer with employees and customers of the Franchised Business, to observe the manner in which Franchisee is rendering its services, and to inspect and audit Franchisee's books, records and tax returns, or such portions thereof as they pertain to the operation of the Franchised Business. Upon receipt of notice by Franchisor, Franchisee shall pay to Franchisor Royalty Fees, System Marketing Fees and late fees with respect to the amount by which actual Gross Revenues ascertained by Franchisor's inspection exceed reported Gross Revenues. In the event that any report or statement understates Gross Revenues by more than two percent (2%) of the actual Gross Revenues ascertained by Franchisor's inspection, Franchisee shall, in addition to making the payment provided for in the preceding sentence, and in addition to any other remedies and rights Franchisor may have, pay and reimburse Franchisor for any and all expenses incurred in connection with its inspection and audit, including, but not limited to, accounting and legal fees and travel expenses, room and board and compensation for Franchisor's representatives.

8. ADVERTISING AND MARKETING

A. SYSTEM MARKETING FUND

Franchisee agrees and acknowledges that the System Marketing Fee will be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds and may be deemed an asset of Franchisor. Franchisor will administratively segregate the System Marketing Fund on its books and records. Franchisor will use the System Marketing Fund for the purpose of promoting the System as a whole and increasing the goodwill of the Marks. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, the use of the System Marketing Fund on website design and optimization and other resources to increase web traffic to Franchisor's website. Franchisee understands, acknowledges and agrees that all decisions regarding advertising and marketing, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor and shall be final and binding. Franchisee agrees and acknowledges that all costs of the formulation, development and production of any advertising and promotion (including, without limitation, the proportionate compensation of Franchisor's employees who devote time and render services in connection with such advertising and promotional programs and the administration, accounting and collection of the System Marketing Fee, the employment of an outside consultant or advertising agency to assist with such advertising and promotional programs or of a website management firm to manage Franchisor's website and optimization) will be paid from the System Marketing Fund. Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to

Franchisee's System Marketing Fees in Franchisee's market area, nor does Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising. The decision to commence, conduct, discontinue or re-establish the System Marketing Fund shall be made in the sole discretion of Franchisor. If Franchisor decides to terminate the System Marketing Fund, Franchisor will distribute any amounts remaining in the System Marketing Fund after its termination, if any, to then-existing franchisees pro rata based on System Marketing Fees paid by franchisees over the previous three (3) years.

B. GRAND OPENING MARKETING

Franchisee acknowledges and agrees that adequate opening marketing is essential to the success of the Franchised Business and agrees to conduct such marketing in connection with the opening of the Franchised Business in accordance with Franchisor's directions. Franchisor will consult with Franchisee on marketing and advertising for this period. Franchisee agrees and acknowledges that grand opening marketing required by Franchisor will cost at least Ten Thousand Dollars ($10,000.00), such amount to be spent within the fifteen (15) days before and the thirty (30) days after the opening of the Franchised Business.

C. APPROVAL OF ADVERTISING

All advertising copy and other marketing materials Franchisee proposes to use shall be consistent with quality and general overall advertising and promotional campaigns used in the System. Franchisor shall advise Franchisee from time to time on marketing and advertising issues. Franchisor may periodically provide Franchisee with materials. If Franchisee wishes to develop advertising materials, Franchisee shall submit the proposed material to Franchisor at least fifteen (15) days in advance of publication or use and shall use only such advertising copy and materials as have been approved in writing by Franchisor. Franchisee agrees and acknowledges that the copyright for any advertising or other marketing materials that Franchisee develops for the Franchised Business shall belong to Franchisor without any further action by the parties required.

D. LOCAL ADVERTISING EXPENDITURES

As of the date of this Agreement, Franchisee is required to spend up to three percent (3%) of Gross Revenues on local advertising and promotions. As of the date of this Agreement, Franchisee is required to spend one percent (1%) of Gross Revenues on local advertising and promotions but Franchisor has the right to increase that amount. Such local advertising and promotions are subject to Franchisor's prior review and consent. Franchisee must submit to Franchisor receipts evidencing expenditures for approved local advertising during the preceding calendar month. Franchisee shall not advertise outside of the Protected Area unless Franchisee obtains Franchisor's prior written consent. Franchisee agrees and acknowledges that Franchisor has the right to establish a local or regional marketing cooperative, and agrees to participate in such a cooperative if required to do so by Franchisor. Franchisor may require Franchisee to contribute all or a portion of revenues allocated to local advertising to such a cooperative.

E. GIFT CARDS, DISCOUNTS AND COUPONS

From time to time as part of the advertising and promotional activities conducted by Franchisor or a vendor designated by Franchisor, Franchisor may institute discount programs and issue or permit franchisees to issue coupons and gift cards or certificates. Franchisee agrees to accept such coupons and gift cards or certificates from customers and to redeem them in accordance with Franchisor's policies then in effect and to participate in such discount programs. Franchisee shall not offer any discounts or coupon or gift cards or certificate programs without Franchisor's prior written consent.

9. MARKS

A. OWNERSHIP OF MARKS AND GOODWILL

Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the Franchised Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that Franchisor has the right to use and license the use of the Marks and that they are valid trademarks. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, Franchisor's, ATG Investments, LLC's or their affiliates' ownership or use of, application for, registration of, or the validity or enforceability of, any of the Marks, its applications for registration, or registration of, or the validity or enforceability of, any of the Marks. Franchisee also agrees not to acquire or use any trademarks that are similar or identical to the Marks. Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of Franchisor.

B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS

If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall not use any of the Marks or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, service marks, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the Franchised Business without the prior written consent of Franchisor, or as expressly permitted in The Breakfast Club at Midtown Standards Manual.

C. COPYRIGHT

Franchisee acknowledges that Franchisor or its affiliate has developed, and may further develop during the term of this Agreement, certain artistic designs, and certain other word combinations and other materials designated for use by Franchisee. Franchisee acknowledges that Franchisor or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement. Franchisee agrees and acknowledges that, if Franchisee develops any materials for use in the Franchised Business that Franchisor approves, Franchisor may incorporate such materials in the System and the copyright for any such materials shall belong to Franchisor without any further action required by the parties.

D. DEFENSE OF MARKS

(1) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or copyrights, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend and indemnify Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense, at Franchisor's expense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(2) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks or copyrights, is using the Marks or copyrights or any variants thereof, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event Franchisor undertakes such action, it shall have the authority and power of attorney to defend or settle such action. Franchisee agrees to render such assistance as Franchisor shall require to carry out the prosecution of any such action at Franchisor's expense. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

E. DISCONTINUANCE OF USE OF MARKS

If it becomes advisable at any time in Franchisor's sole discretion for Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute marks or items, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Mark and to accept, use and display such additional marks within a reasonable time after notice thereof by Franchisor but in no event more than thirty (30) days after receiving notice from Franchisor. Franchisor shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such addition, modification or discontinuance.

F. SOCIAL MEDIA POLICY

Franchisee shall not register a domain name, create or maintain a website, social media page or electronic mail address utilizing the Marks or any name similar to the Marks or relating in any way to the Franchised Business without Franchisor's prior written consent. Franchisee also agrees to observe Franchisor's policy on on-line communications including, without limitation, communications on social and professional networking sites such as Facebook, Twitter, LinkedIn, Snapchat, Instagram and other sites or blogs. Franchisee acknowledges that it may not mention or discuss the Franchised Business, Franchisor or the System without Franchisor's prior written consent. Franchisee agrees and acknowledges that Franchisor has the right to review all on-line content involving the Marks or the System, and to require Franchisee to remove any content or usage, in Franchisor's sole discretion.

10. COMPETITION

A. FRANCHISEE'S COVENANT NOT TO COMPETE

(1) Franchisee acknowledges that Franchisor could not protect its trade secrets or the Confidential Information against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among owners of Franchised Businesses if Franchisee held interests in any competitive business. Franchisee acknowledges that Franchisor grants the rights to operate the Franchised Business to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, Franchisee shall not at any time during the term of this Agreement, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business offering items that are on The Breakfast Club at Midtown restaurant menu, or any similar business.

(2) In addition, for two (2) years after the termination or expiration of this Agreement, Franchisee shall not carry on, be engaged in or advise in the establishment or operation of any business offering food items that are on The Breakfast Club at Midtown restaurant menu or similar businesses except: (a) pursuant to Franchise Agreements with Franchisor, or (b) if Franchisee is not then a party to any other Franchise Agreement with Franchisor, only at a site that is at least twenty-five (25) miles from the Protected Area. Franchisee agrees and acknowledges that this restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but

is rather to protect the goodwill and interest of the Marks and the System. In the event that Franchisee does not comply with this provision and Franchisor is required to enforce it, the two (2)-year period is tolled for the period of noncompliance.

B. ACTIVITIES OF OTHER PERSONS

The activities of Franchisee's immediate family, Franchisee's owners, officers, directors, shareholders, members, trusts, trustees, subsidiaries, parent companies, partners, agents and employees or any enterprise in which any of them owns, directly or indirectly, any equity interest (except for investments totaling less than one percent (1%) of the stock of publicly held corporations), for purposes of this Section, shall be deemed to be activities of Franchisee. Upon Franchisor's request, Franchisee shall obtain the signature of any such persons on Franchisee's form of non-disclosure and non-competition agreement (in a form acceptable to Franchisor). Franchisee shall use its best efforts to cause such other persons to observe the terms of those agreements.

C. FAILURE TO COMPLY

The parties agree and acknowledge that the damage caused by Franchisee's failure to comply with the requirements of this Section 9 will result in damages to Franchisor that are difficult to specify. Therefore, the parties agree that if Franchisee fails to comply with the restrictions in this Section for any reason then, in addition to any other rights and remedies Franchisor may have, Franchisee shall pay to Franchisor a hold over fee of Fifty Thousand Dollars ($50,000.00) upon demand by Franchisor and six percent (6%) of the Gross Revenues from the business that Franchisee continues to operate every Monday for the preceding Monday through 6unday.

11. TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

A. WITH NOTICE AND NO OPPORTUNITY TO CURE

This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Franchisee:

(1) becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Franchisee within ninety (90) days;

(2) abandons the Franchised Business by failing to operate it for five (5) consecutive business days, or for any shorter period in such circumstances that render reasonable the conclusion that Franchisee does not intend to continue operating the Franchised Business, unless such failure is due to disaster or similar reasons beyond Franchisee's control;

(3) has made any material misrepresentation or omission in the application for the Franchised Business or in any report that Franchisee submits to Franchisor;

(4) fails to open the Franchised Business according to Section 1D(8) of this Agreement;

(5) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Franchisee's rights or obligations under this Agreement;

(6) is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(7) makes any unauthorized use of the Marks or Confidential Information or makes any duplication or disclosure of any Confidential Information including, but not limited to, any portion of The Breakfast Club at Midtown Standards Manual;

(8) fails to complete the Initial Training Program to Franchisor's satisfaction before the opening of the Franchised Business;

(9) intentionally under-reports its Gross Revenues to Franchisor;

(10) offers unauthorized goods or services;

(11) incurs insufficient funds fees on three (3) or more separate occasions within any twelve (12) month period;

(12) has its right to operate under any license or permit suspended, terminated or interrupted;

(13) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor, the System, or the Franchised Business, or if any principal of Franchisee is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(14) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations applicable to the operation of the Franchised Business including, without limitation, the Americans with Disabilities Act; provided, however, that if compliance requires more than three (3) days, Franchisee may have such additional time (not to exceed ten (10) days in the aggregate) to comply: (a) if Franchisee immediately takes steps to begin compliance upon receipt of Franchisor's

notice; and (b) if Franchisor does not determine that noncompliance would result in imminent danger to public health and safety;

(15) fails on three (3) or more separate occasions during the term of this Agreement to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(16) shall at any time have the Franchised Business or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the franchise granted hereunder or the goods and chattels of Franchisee;

(17) is evicted by the lessor for any reason, if Franchisee leases the site;

(18) has a judgment against it issued in the amount of more than Five Thousand Dollars ($5,000.00) that remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(19) has an undischarged levy of execution on the Franchised Business;

(20) is subject to a determination by Franchisor, in its sole discretion, that continued operation of the Franchised Business by Franchisee will result in danger to public health or safety; or

(21) is designated, or any person described in Section 10.B is designated, by the United States government as a Specially Designated National or Blocked Person, as defined below.

B. <u>WITH NOTICE AND OPPORTUNITY TO CURE</u>

This Agreement shall terminate upon Franchisee's failure to cure any of the following, each of which is deemed to be "good cause":

(1) noncompliance with any requirement in this Agreement not listed in subsection A above within thirty (30) days after notice thereof is delivered to Franchisee; or

(2) failure to make payments to Franchisor for any amounts due within five (5) days after notice thereof is delivered to Franchisee.

C. <u>NO WAIVER</u>

The description of any default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

D. ENFORCEMENT

Franchisee acknowledges that Franchisor's decision to enforce or not to enforce compliance with its rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

12. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Franchisee agrees to pay Franchisor and its affiliates immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and its affiliates and all other amounts owed to Franchisor and its affiliates which are then unpaid.

B. MARKS

After the termination or expiration of this Agreement, Franchisee will:

(1) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, Trade Dress, or any imitation thereof or other indicia of the Franchised Business in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark, trade dress or other commercial symbol that suggests or indicates a connection or association, or former connection or association, with Franchisor;

(2) take such steps as are necessary to change the décor, color scheme, uniforms, signage, flooring, fixtures, furniture and equipment, and other elements of décor and Trade Dress so that the premises no longer resemble the Franchised Business;

(3) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or a principal thereof the items destroyed) all products bearing any Marks;

(4) stop using the Marks and the System and return to Franchisor all copies of The Breakfast Club at Midtown Standards Manual and all other Confidential Information, including, without limitation, customer information;

(5) assist in the smooth transition of the business to any successor franchisee or to Franchisor;

(6) refrain from soliciting customers of the Franchised Business, Franchisor or other of Franchisor's franchisees, and turn over all customer information and data to Franchisor;

(7) refrain from making any disparaging comments regarding Franchisor or the System;

(8) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, domain and subdomain names, social media pages, web sites and the like that are associated with the Franchised Business and cooperate with Franchisor in causing all applicable telephone companies and other service providers to assign such numbers and addresses and names to Franchisor or its nominee including, without limitation, signing transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(9) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks; and

(10) refrain from engaging in a competing business as provided in Section 10 above.

C. <u>CONTINUING OBLIGATIONS</u>

All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including, without limitation, Sections 4, 9, 10, 12, 14, 15F, 15.J and 15.P, shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

D. <u>OPTION TO PURCHASE</u>

Upon termination or expiration of this Agreement, Franchisor or its nominee shall have the option, exercisable for sixty (60) days following the effective date of termination or expiration, to purchase the assets of the Franchised Business. The purchase price for the assets will be the fair market value as determined by the parties. If the parties are unable to agree upon the fair market value of the assets, they shall jointly select an independent appraiser to do so. Franchisee and Franchisor shall each pay one-half (½) of the cost of appraisal. The fair market value of the assets shall be determined without giving effect to goodwill. Franchisor may deduct any amounts Franchisee owes to Franchisor, any liabilities relating to the assets, and, if Franchisor has not complied with the requirements of this Agreement to upgrade and renovate the Franchised Business, the amount necessary to upgrade and renovate the Franchised Business to reflect Franchisor's then-current image. The purchase price will be payable fifty percent (50%) at the time of closing and the balance in three (3) equal annual installments of principal plus interest at a rate per annum equal to the prime lending rate charged by Franchisor's bank determined as of the closing date.

13. ASSIGNMENT, TRANSFER AND ENCUMBRANCE

A. BY FRANCHISOR

This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein.

B. BY FRANCHISEE

(1) The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is a corporation, partnership, limited liability company or other entity, of its principal owners. Accordingly, Franchisee shall not transfer, as defined below, this Agreement or any interest therein without Franchisor's prior written consent and without offering Franchisor a right of first refusal as provided below. Any attempt at a transfer that violates the provisions of this Section shall convey no right or interest in this Agreement. A transfer by an individual franchisee to an entity that is wholly owned by Franchisee and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to Franchisor's right of first refusal nor shall Franchisee be required to pay the transfer fee set forth in subsection (3)(g) below; provided that Franchisee notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable, including, without limitation, a personal service agreement, an assumption agreement and personal guaranty by Franchisee as an individual. Franchisee shall reimburse Franchisor for its expenses in documenting such a transfer.

(2) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee, in whole or in part, of any interest in this Agreement, any interest in the Franchised Business or more than twenty-five percent (25%) of the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is a corporation, partnership, limited liability company or other entity. **"Transfer"** also includes a transfer to the surviving spouse, heirs, estate or other representative of Franchisee in the event of Franchisee's or its owner's death ("**Survivor**").

(3) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

(a) there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other agreement with Franchisor or any of its affiliates;

(b) the Franchised Business must meet Franchisor's then-current standards;

(c) the lessor of the premises of the Franchised Business has consented to Franchisee's sublease or transfer of the lease or sublease for the premises to the proposed transferee;

(d) the proposed transferee shall be qualified according to Franchisor's then-current standards for new franchisees;

(e) the proposed transferee shall have executed Franchisor's then-current form of franchise agreement for a term of years equal to the remaining term of this Agreement, the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee (if an entity) shall have executed Franchisor's then-current form of guaranty, and any other documents Franchisor deems necessary;

(f) the proposed transferee shall have successfully completed Franchisor's Initial Training Program;

(g) Franchisee shall have paid to Franchisor a transfer fee when Franchisee submits a request to transfer to Franchisor. The transfer fee will be: (a) twenty-five percent (25%) of the then-current initial franchise fee if the transferee is an existing franchisee or fifty percent (50%) of the then-current initial franchise fee if the transferee is not an existing franchisee, or (b) Two Thousand Five Hundred Dollars ($2,500.00) if the transfer is between Franchisee's current owners or to a new minority shareholder. Franchisee must pay to Franchisor the transfer fee upon submission of an application to transfer. If Franchisor does not consent to the transfer, Franchisor will return the transfer fee to Franchisee after deducting any expenses Franchisor may have incurred in evaluating the proposed transfer. If the proposed transfer is by an individual to a business entity, Franchisee shall not be required to pay the transfer fee, but shall reimburse Franchisor for expenses Franchisor incurs in evaluating the proposed transfer;

(h) Franchisee (and its principals and affiliates if Franchisee is a corporation or other entity) shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its affiliates, associates, officers, directors, managers, shareholders, members, employees, agents and representatives;

(i) any obligations of the transferee to Franchisee shall be subrogated to the transferee's obligations to Franchisor;

(j) at Franchisor's option, Franchisee must transfer this Agreement together with all other agreements it and its affiliates have entered into with Franchisor or its affiliates and all rights thereunder to the transferee; and

(k) neither the transferee or any of its owners are: (i) a person designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national or blocked person" or similar status, (ii) a person described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, or (iii) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business ("**Specially Designated National or Blocked Person**") or a person in which a Specially Designated National or Blocked Person has an interest.

(4) Franchisor's consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its owner(s), or of Franchisor's right to demand strict compliance with this Agreement.

(5) No interest in this Agreement or the franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of a transfer, or otherwise.

C. RIGHT OF FIRST REFUSAL

Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within sixty (60) days of receipt of complete information and documents by Franchisor, Franchisor will inform Franchisee: (1) whether it or its nominee will exercise its right of first refusal; and (2) if not, whether it will consent to the transfer. In the event that Franchisor notifies Franchisee that it or its nominee will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee which are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and broker's or finder's fees to be paid by the proposed transferee to or on behalf of Franchisee or any principal of Franchisee). Moreover, Franchisor shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transfer, Franchisee may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor. Franchisee must close the proposed transfer within ninety (90) days after receipt of Franchisor's notice that it will not exercise its right of first refusal and that it will consent to the transfer.

D. DEATH OR PERMANENT DISABILITY

If Franchisee, or the principal of a Franchisee that is not an individual, dies or is permanently disabled in a manner that prohibits operation of the Franchised Business, in Franchisor's judgment, the Survivor or, in the case of permanent disability, the representative of Franchisee shall, within sixty (60) days of such death or determination of permanent disability, either meet all of Franchisor's then-current standards for new franchisees or shall transfer this Agreement in accordance with the requirements of this Section. Franchisee must pay all of the Franchisor's expenses incurred in connection with Franchisor's evaluation and training for Franchisor's Survivor or representative.

14. INDEMNIFICATION OF FRANCHISOR

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold Franchisor, and its affiliates, associates, officers, directors, managers, shareholders, members, employees, agents, representatives and assignees harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Franchisee's actions or failure to act, whether personal or in connection with the operation of the Franchised Business, any other actions or failure to act by Franchisee, its agents or representatives or any breach of this Agreement, including, without limitation, the obligation to comply with applicable law. For purposes of this indemnification, "**claims**" means and includes all obligations, actual and consequential damages, losses, claims, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any claim. Franchisee shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Franchisee agrees to cooperate fully with Franchisor in any other claims brought by or against Franchisor.

15. MISCELLANEOUS

A. FORCE MAJEURE

In the event of a natural disaster such as an earthquake, flood, hurricane or fire or a strike, lockout or labor controversy or the happening of any extraordinary event beyond the control of one of the parties which results in the inability of that party to operate or to provide the services contemplated by this Agreement, there shall be no obligation on the part of that party to operate or to provide such services during the period when such party is unable to do so; provided, however, that this provision shall not affect a party's obligation to make payments required by this Agreement; and provided, further, that in no event shall such postponement last longer than six (6) months.

B. GRAMMAR

The masculine of any pronoun will include the feminine and the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires.

C. INTERPRETATION

When calculating the date upon which or the time within which any act is to be done, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a business day, the period in question shall end on the next business day. The terms of this Agreement shall not be interpreted or construed in favor of or against any party on the ground that one party was the purported draftsman hereof.

D. **SECTION HEADINGS**

Section headings are for convenience of reference only and should not be construed as part of this Agreement nor should they limit or define the meaning of any provision herein.

E. **NONWAIVER**

No failure by either party to take action on account of any default of the other party, whether in a single instance or repeatedly, and no course of dealing of the parties in variance with the terms hereof, constitutes a waiver of any such default or of the performance required of either party by this Agreement. No express waiver by either party of any provision or performance hereunder or of any default by the other party constitutes a waiver of any other or future provision, performance or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving party. The parties may in their sole respective discretion elect from time to time to waive obligations of one another under this Agreement upon such terms and conditions as they may, in their sole respective discretion, set forth in such written waiver.

F. **NO EXEMPLARY DAMAGES**

Neither party to this Agreement shall assert against the other party any claim for special, exemplary or punitive damages arising out of the Franchisor-Franchisee relationship, the formation or performance of this Agreement, any breach of this Agreement, or the operation of the Franchised Business.

G. **INVALIDITY AND SEVERABILITY**

If any provision or portion of a provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision or portion thereof shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or shall be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision or portion thereof had been included herein as so modified in scope or application, or had not been included herein, as the case may be. The stated intention of the parties is that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or portions thereof, or including such provisions or portions thereof only to the maximum scope and application permitted by law, as the case may be. In the event such total or partial invalidity or unenforceability of any provision or portion thereof of this Agreement exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision or portion thereof only to the extent that the laws of such jurisdiction are applicable.

H. NOTICES

Any notice or demand given or made pursuant to the terms of this Agreement will be made in writing and delivered by personal service, e-mail, overnight delivery, or certified mail (postage prepaid) to such address as may be designated from time to time by the relevant party, and which will initially be as set forth as follows:

If given to Franchisor:

Breakfast Club Franchising, Inc.
1432 West San Carlos Street, Suite 50
San Jose, California 95126
Telephone: (408) 209-9860
Email: oalitis@yahoo.com

If given to Franchisee:

____
____
____
Telephone:______________________
E-mail:_________________________

Any notice sent by certified mail will be deemed to have been given three (3) business days after the date on which it is mailed. Notices will be deemed given when sent if sent by e-mail or personal delivery, and one (1) business day after being sent by overnight mail. No objection may be made to the manner of delivery of any notice actually received in writing by an authorized agent of a party.

I. ENTIRE AGREEMENT; MODIFICATION

This Agreement, any documents executed contemporaneously herewith that expressly reference this Agreement and any documents referred to herein constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to herein; provided, however, that nothing in this Agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. This Agreement supersedes and extinguishes any prior written agreement between the parties or any of them relating to the subject matter hereof. This Agreement may not be modified or amended except by a written amendment executed by both parties.

J. CONTROLLING LAW; DISPUTE RESOLUTION; ATTORNEYS' FEES AND EQUITABLE RELIEF

(1) This Agreement, including all matters relating to the validity, construction, performance, and enforcement thereof, shall be governed by the laws of California without giving effect to its provision regarding choice of laws. Nothing in this Section is

intended, or shall be deemed, to make the California Franchise Investment Law or the California Franchise Relations Act or any other law apply to this Agreement, or the transactions or relationships contemplated hereby, if such law would not otherwise be applicable.

(2) Upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof (in each case, a **"Dispute"**), the Dispute shall first be submitted to mediation on an expedited basis in or nearest to the city in which Franchisor's headquarters is then located, administered by JAMS, or its successor, in accordance with JAMS rules and procedures then in effect. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within thirty (30) days of such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claims under this Agreement, including, without limitation, an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claims and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties will cooperate with JAMS and with one another in selecting a neutral mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The mediator must be a retired judge or an attorney experienced in complex commercial transactions. If the parties are unable to select the mediator within ten (10) days after receipt of the mediation notice by JAMS, then JAMS shall designate the mediator. The parties covenant that they will: (a) participate in the mediation in good faith; (b) share equally in the costs of the mediator and related JAMS administrative costs; and (c) pay in advance the estimated fees and costs of the mediation, as may be specified in advance by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator and any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any reference, arbitration, litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may file a motion to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including attorneys' fees in connection with such motion. If the Dispute is not resolved within ten (10) days after the first mediation session, either party may: (i) give written notice to JAMS and the other party that the mediation is terminated; and (ii) submit any remaining Disputes to binding arbitration pursuant to Section 15J(3) below.

(3) If the parties are unable to resolve the Dispute pursuant to Section 15J(2) above, then the parties shall submit the Dispute to final and binding arbitration in or nearest to the city in which Franchisor's headquarters is then located, administered by JAMS, or its successor, in accordance with the rules and procedures of JAMS then in

effect. Any party may commence the arbitration by filing a written demand for arbitration with JAMS, with a copy to the other party, setting forth the subject of the Dispute and the relief requested, with the expectation that the first arbitration session shall occur within thirty (30) days of such written demand. The party seeking arbitration must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claims under this Agreement including, without limitation, an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claims and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, JAMS shall designate the arbitrator. The parties will cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS procedures. The arbitration shall be conducted in accordance with the JAMS Comprehensive Rules. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court or by a jury.

(4) The parties recognize that their relationship is unique and that each franchisee is situated differently from all other franchisees, and that no one franchisee can adequately represent the interest of others. Therefore, the parties agree that any mediation, arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(5) The prevailing party in any legal proceeding will be entitled to recover its costs and, as an element of such party's cost of arbitration, suit or proceeding, and not as damages, attorneys' fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of One Hundred Dollars ($100.00) shall be sufficient bond), in connection with the Marks, Trade Dress, Proprietary Information or Confidential Information. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including, without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

K. RELATIONSHIP OF PARTIES

(1) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary or trust relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the business conducted hereunder, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts.

(2) It is acknowledged that Franchisee is the sole and independent owner of its business, shall be in full control thereof, and shall conduct such business solely in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it.

(3) Franchisee's employees are under Franchisee's sole control. Franchisor is not the employer or joint employer of Franchisee's employees. Franchisor will not exercise direct or indirect control of Franchisee's employees' working conditions. Franchisor does not share or codetermine the terms and conditions of employment of Franchisee's employees or participate in matters relating to the employment relationship between Franchisee and its employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints or working conditions. Franchisee has sole responsibility and authority for these terms and conditions of employment. Franchisee must notify and communicate clearly with its employees in all dealings, including, without limitation, its written and electronic correspondence, paychecks, and other materials, that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer.

(4) Nothing anywhere in this Agreement creates a fiduciary relationship between the parties nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision.

L. COMPLIANCE WITH LOCAL LAW

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such law or rule.

M. SPOUSAL CONSENT

Franchisee's spouse or the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit B**.

N. ENTITY FRANCHISEES

(1) If Franchisee is a partnership, Franchisee shall deliver to Franchisor a copy of its current partnership agreement prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all restated partnership agreements and any amendments to the partnership agreement marked to indicate changes since the date of the partnership agreement previously delivered to Franchisor. If Franchisee is a corporation, Franchisee shall deliver to Franchisor a copy of its certificate or articles of incorporation, or other charter documents and all amendments thereto, and a copy of its current bylaws and a copy of any shareholders' agreement and all amendments thereto, prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all subsequent amendments to its certificate or articles of incorporation or other charter documents and its current bylaws, and any shareholders' agreement, marked to indicate changes since the date of the certificate or articles, bylaws, shareholders' agreement, or other charter documents previously delivered to Franchisor. If Franchisee is a limited liability company, Franchisee shall deliver to Franchisor copies of its certificate of formation or articles of organization, its operating agreement and other charter documents, and all amendments thereto. Thereafter, Franchisee shall deliver to Franchisor copies of all subsequent amendments to its certificate of formation or articles of organization, operating agreement and other charter documents, marked to indicate changes since the date of the articles, agreement or other documents previously delivered to Franchisor.

(2) If Franchisee is a corporation, partnership, limited liability company or other entity, Franchisee shall complete and deliver to Franchisor **Exhibit C** together with this Agreement. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information contained in **Exhibit C**.

(3) If Franchisee is a corporation or otherwise issues ownership certificates, all securities shall be affixed with the following legend conspicuously on the face of the certificate evidencing the issuance thereof:

> "The transfer of the shares/ownership interest represented by this certificate is subject to the terms and conditions of a Franchise Agreement entered into with Breakfast Club Franchising,

Inc., dated ____________, a copy of which is on file with the Secretary of this corporation/entity."

O. PERSONAL GUARANTIES

If Franchisee is a corporation, a partnership, a limited liability company or other entity, Franchisor shall not be bound unless all shareholders, general partners or members of Franchisee, as applicable, have read and approved this Agreement and further agree that any restriction applicable to the corporation, partnership, limited liability company or other entity shall also apply to them individually and collectively (including the prohibition on their ability to transfer their interests in Franchisee) and further agree, if Franchisor so requires, to personally, jointly and severally, guarantee the performance of Franchisee under the terms of this Agreement by executing the form of Guaranty and Assumption of Franchisee's Obligations set forth in **Exhibit D** attached hereto.

P. STATUTE OF LIMITATIONS

The parties hereby acknowledge and agree that any suit, action or other proceeding relating to this Agreement must be brought within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

Q. SUCCESSION; THIRD PARTY BENEFICIARY

Franchisor's right to sublicense Franchisee to use the Marks is pursuant to a Trademark License Agreement with ATG Investments, LLC. In the event Franchisor ceases for any reason to receive the right from ATG Investments, LLC to license Franchisee to use the Marks, Franchisee agrees that ATG Investments, LLC, shall, at its option succeed to all of the rights and assume all of the obligations of Franchisor under this Agreement. ATG Investments, LLC is a third party beneficiary of this Agreement. If required by applicable law, Franchisee agrees to enter into a novation agreement with ATG Investments, LLC.

R. REASONABLE BUSINESS JUDGMENT

When a provision in this Agreement requires Franchisor to make a decision or determination, and the provision does not state otherwise, Franchisor shall make such decision or determination utilizing reasonable business judgment. Reasonable business judgment means that Franchisor's action or inaction has a business basis that is intended to benefit the System or the profitability of franchised businesses and Franchisor, regardless of whether some individual franchisees may be unfavorably affected; or to increase the value of the Marks; or to increase or enhance overall customer or franchisee satisfaction; or to minimize possible brand inconsistencies or customer confusion. In the event that such obligation or exercise of discretion is unrelated to franchised businesses or the Marks, reasonable business judgment means that Franchisor has a business basis and has not acted in bad faith. Franchisee shall have the burden of establishing that Franchisor failed to exercise reasonable business judgment, and neither the fact that

Franchisor benefited economically from an action nor the existence of other "reasonable" alternatives will, by themselves, establish such failure.

S. REPRESENTATIONS AND WARRANTIES

(1) Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its directors, officers and managers), nor any of its affiliates or the funding sources for either is a Specially Designated National or Blocked Person. Neither Franchisee nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government. Neither Franchisee nor any of its affiliates is acting on behalf of a government of any country that is subject to such an embargo. Franchisee further represents and warrants that it is in compliance with any applicable anti-money laundering law, including, without limitation, the USA Patriot Act.

(2) Franchisee (on behalf of itself and all of the holders of (a) an equity interest in Franchisee, and (b) an equity interest in holders of equity interests in Franchisee) represents and warrants to Franchisor that execution and delivery of this Agreement and the performance of Franchisee's obligations hereunder, does not: (i) conflict with, violate, result in a breach of or constitute a default (or an event which, with notice or passage of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, any other agreement to which Franchisee or any such holder is party or by which Franchisee or any such holder, or any of their respective assets may be bound; (ii) violate any order, writ, injunction, decree, judgment or ruling of any court or governmental authority; or (iii) violate any applicable law.

(3) Franchisee represents and warrants to Franchisor that neither Franchisor nor any of its representatives has made any of the following representations:

(a) that Franchisor guarantees, conditionally or unconditionally, or makes a written or oral representation: (i) that would cause a reasonable person in Franchisee's position to believe that income is assured; (ii) that Franchisee will derive income from the Franchised Business; (iii) that Franchisee's investment is protected from loss; or (iv) that Franchisee can earn a profit in excess of its initial payment;

(b) that Franchisor will refund all or part of the fees paid by Franchisee (including, without limitation, a representation that Franchisor will refund Franchisee's initial payment or return any promissory note upon termination or non-renewal of the Franchised Business) or repurchase any of the products, equipment, supplies, goods or chattels supplied by Franchisor or its affiliate to Franchisee;

(c) that Franchisee will be provided with retail outlets or accounts, or assistance in establishing retail outlets or accounts, for the sale or distribution of goods or services; or

(d) that there is a market for the goods or services to be offered, sold or distributed by Franchisee.

(4) Franchisee agrees that it will notify Franchisor in writing immediately upon the occurrence of any event that would render the foregoing representations and warranties of this Section incorrect.

16. ACKNOWLEDGMENTS

Franchisee acknowledges and represents the following to Franchisor to induce it to enter into this Agreement:

A. FRANCHISEE HAS READ THIS AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT AND ALL OTHER RELATED AGREEMENTS AND DOCUMENTS AND UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLY NECESSARY TO MAINTAIN THE SYSTEM'S HIGH STANDARDS OF QUALITY AND SERVICE AND THE UNIFORMITY OF THOSE HIGH STANDARDS IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR OR ITS REPRESENTATIVES HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF SUCH DOCUMENTS TO THE SATISFACTION OF FRANCHISEE;

B. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS. FRANCHISEE RECOGNIZES THAT THE NATURE OF THIS BUSINESS MAY EVOLVE AND CHANGE OVER TIME, THAT IT INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE DEPENDS PRIMARILY UPON FRANCHISEE'S INDIVIDUAL AND INDEPENDENT BUSINESS ABILITY AND EFFORTS. FRANCHISEE UNDERSTANDS THAT THE FRANCHISED BUSINESS IS A RELATIVELY NEW CONCEPT THAT ENTAILS BUSINESS RISKS. FRANCHISEE HAS CONSULTED WITH SUCH PROFESSIONAL ADVISORS OF FRANCHISEE'S CHOOSING AS FRANCHISEE DEEMS NECESSARY, INCLUDING LEGAL COUNSEL, REGARDING ALL ASPECTS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, ALL RELATED AGREEMENTS AND THE BUSINESS RELATIONSHIP CREATED THEREBY, AND TO DETERMINE THAT FRANCHISEE IS FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE;

C. FRANCHISEE HAS NOT RECEIVED OR RELIED UPON ANY PROMISE, REPRESENTATION, GUARANTY OR WARRANTY, EXPRESSED OR IMPLIED, ABOUT THE POTENTIAL VOLUME, REVENUES, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;

D. FRANCHISEE IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY;

E. NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, SALES PERSONNEL, AGENTS OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT HERETOFORE RECEIVED BY FRANCHISEE OR TO THE TERMS CONTAINED IN THIS AGREEMENT, AND FRANCHISEE HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS;

F. IN ALL OF THEIR DEALINGS WITH FRANCHISEE, THE OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, SALES PERSONNEL, AGENTS AND REPRESENTATIVES OF FRANCHISOR ACT ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR;

G. FRANCHISEE ACKNOWLEDGES THAT IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT CONTEMPLATED HEREBY, FRANCHISOR MAY DO SO IN ITS DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION. SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS DISCRETION, ELECT TO NOT ENFORCE (OR TO SELECTIVELY ENFORCE) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO FRANCHISEE OR ANY OTHER FRANCHISEE OR OTHERWISE, AND FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE, ALL WITHOUT LIABILITY OR OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO STRICTLY ENFORCE THIS AGREEMENT OR OTHERWISE; AND

H. THE APPLICATION MADE BY FRANCHISEE IS TRUE AND CORRECT. FRANCHISEE HAS MADE NO INCORRECT STATEMENT IN THE APPLICATION OR IN THIS AGREEMENT, OR FAILED TO MAKE ANY STATEMENT THAT WOULD BE NECESSARY TO MAKE THE

STATEMENTS IN THE APPLICATION OR IN THIS AGREEMENT, NOT MISLEADING.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date stated on the first page hereof.

Franchisor:

BREAKFAST CLUB FRANCHISING, INC.,
a California corporation

By:________________________________

Title:_______________________________

Date:_______________________________

Franchisee:

____

____
(Signature)

____
(Print Name and Title, if applicable)

Date:_______________________________

EXHIBIT A

GEOGRAPHIC AREA, LOCATION AND PROTECTED AREA

Description of Geographic Area (attach map):___________________________________

____

____

____

____

____

Location of Franchised Business:

____

____

____

Description of Protected Area (attach map):_____________________________________

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____

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____

Franchisor:	Franchisee:
BREAKFAST CLUB FRANCHSING, INC.	________________________________
By:______________________________	By:______________________________
Name & Title:______________________	Name & Title:______________________
Date:____________________________	Date:____________________________

EXHIBIT B

SPOUSAL CONSENT

The undersigned each being the spouse of Franchisee (or the spouse of an owner of Franchisee) hereby states

1) That he or she has read and understands The Breakfast Club at Midtown Franchise Agreement and the Franchise Disclosure Document; and

2) That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer; and

3) That he or she consents to execution of the Franchise Agreement by Franchisee; and

4) That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations.

Dated:______________________ Signature:__________________________

Print Name:_________________________

By his or her signature below, Franchisee hereby states that he or she is not married and does not have a spouse.

Dated:______________________ Signature:__________________________

Print Name:_________________________

Dated:______________________ Signature:__________________________

Print Name:_________________________

EXHIBIT C

INFORMATION REGARDING NON-INDIVIDUAL FRANCHISEES

(1) If Franchisee is a corporation or partnership or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Franchisee:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

NAME	ADDRESS	TITLE

(3) The address where Franchisee's records are maintained is:

____
____
____

(4) There is set forth below the name, address and title of each of Franchisee's principal officers or partners who will be devoting their full time efforts to the operation of the Franchised Business.

NAME	ADDRESS	TITLE

DATE: ______________________

____
Name and Title of Person Completing Exhibit

____
Signature

EXHIBIT D

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement ("**Agreement**") with Breakfast Club Franchising, Inc., a California corporation ("**Franchisor**"), of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ________________, a(n) ______________________ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations and dispute resolution procedures.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this Guaranty which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Guaranty is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

This Guaranty will continue in effect as to each of the undersigned until the date that Franchisee fully performs all its obligations under the Agreement, or until one or more of the undersigned fully perform them in Franchisee's stead, or until Franchisor agrees in writing to release such person from his or her obligations hereunder.

Each of the undersigned waives claim for exemplary or punitive damages arising out of this Guaranty, the Franchisor-Franchisee relationship, the performance of the Agreement, any breach of the Agreement, or the development or operation of any The Breakfast Club at Midtown restaurant.

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By:____ Date:_______________________
Print Name:______________________________

By:____ Date:_______________________
Print Name:______________________________

By:____ Date:_______________________
Print Name:______________________________

By:____ Date:_______________________
Print Name:______________________________

By:____ Date:_______________________
Print Name:______________________________

EXHIBIT E

THE BREAKFAST CLUB AT MIDTOWN™

AREA DEVELOPMENT AGREEMENT

Table of Contents

Page

Table of Contents
(continued)

Table of Contents
(continued)

Page

EXHIBITS

THE BREAKFAST CLUB AT MIDTOWN™

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("**Agreement**") is entered into this ___ day of ___________, 20__, by and between Breakfast Club Franchising, Inc., a California corporation ("**Franchisor**"), and __________, a(n) ____________ ("**Developer**"), with reference to the following facts:

A. Franchisor has the right to operate and grant to others the right to operate The Breakfast Club at Midtown restaurants featuring fresh, creative American breakfast and lunch fare, in an up-beat atmosphere and fun, hip environment that is also family-friendly, in accordance with certain proprietary practices and procedures ("**Proprietary Information**") that are part of a system relating to the establishment, development, operation and management of such businesses ("**System**");

B. Franchisor has the right to license various trademarks, trade names, service marks, designs, emblems, logos, slogans, copyrights, trade dress, trade secrets, commercial symbols and other indicia, including without limitation, "The Breakfast Club at Midtown™" now or hereafter used or intended to be used or hereafter used in connection with the System, and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body ("**Marks**"); and

C. Franchisor licenses the right to use the System and the Marks in the operation of The Breakfast Club at Midtown restaurants featuring the sale of fresh, creative American breakfast and lunch fare ("**Franchised Businesses**"); and

D. Developer is an independent business owner and desires to open and operate multiple Franchised Businesses in a specific geographic area and Franchisor is willing to grant Developer the right to do so, pursuant to the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and covenants set forth herein, the receipt and sufficiency of which is acknowledged by the parties, Franchisor and Developer agree as follows:

1. GRANT OF RIGHTS; TERM

A. GRANT OF RIGHTS

Subject to the terms and conditions of this Agreement, Franchisor hereby grants Developer the right to open and operate Franchised Businesses during the Term, as defined below, and in the geographic area described in **Exhibit A** excluding Non-Traditional Locations, as defined below ("**Development Area**"). This grant is intended to be strictly personal in nature to Developer (and its principals if Developer is an entity), and no rights hereunder may be assigned, sublicensed or transferred by Developer in whole or in part without the prior written consent of Franchisor. Franchisor does not grant Developer any right to use the Marks or the System under this Agreement.

B. TERM

The term of this Agreement shall begin on the date it is executed by Franchisor and will expire upon the opening date of the last Franchised Business listed on the Development Schedule, as defined below, unless sooner terminated in accordance with the provisions of this Agreement ("**Term**"). The parties mutually agree and acknowledge that there are no rights to renew this Agreement

C. DEVELOPMENT AREA RIGHTS

Except for Non-Traditional Locations, Franchisor shall not operate or license the right to operate Franchised Businesses in the Development Area as long as Developer is in full compliance with this Agreement, including, without limitation, the requirements of the Development Schedule, as defined below. The following are "**Non-Traditional Locations":** airports, train and other transportation stations, hotels, military bases, convention centers, arenas and stadiums, entertainment venues, casinos, college campuses, shopping centers, mall food courts, amusement and theme parks, resorts, museums and similar venues:.

D. RESERVATION OF RIGHTS

Franchisor reserves any and all rights not specifically granted to Developer. Developer acknowledges that this Agreement does not restrict Franchisor, ATG Investments, LLC or their affiliates from conducting businesses using marks or commercial symbols different from the Marks either within or outside of the Development Area, nor does it preclude them from using the Marks or licensing the right to others to use the Marks for purposes other than operating a Franchised Business. Franchisor reserves the right to operate and franchise the right to operate Franchised Businesses in Non-Traditional Locations both within and outside the Development Area. Franchisor also reserves the right to conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed without any obligation to pay Developer. Franchisor reserves the right to sell and distribute the products and services offered by Franchisor at wholesale, and to sell and distribute such products and services through other channels of distribution such as grocery stores, supermarkets, box stores and similar locations either within or outside of the Development Area. Franchisor also reserves the right to acquire, be acquired by or merge or combine with another company that operates or licenses others to operate restaurants in the Development Area and to continue to operate and expand such restaurant operations.

2. DEVELOPMENT OBLIGATIONS

A. DEVELOPMENT SCHEDULE

Developer shall open Franchised Businesses in accordance with the schedule set forth in **Exhibit B** ("**Development Schedule**"). Developer shall open the minimum number of Franchised Businesses provided in the Development Schedule. Developer shall not open or operate any Franchised Businesses outside the Development Area. Developer shall not open or operate any Franchised Businesses except pursuant to the then-current form of Franchise Agreement offered by Franchisor. This Agreement shall not be deemed or construed to create any obligation on the part of Franchisor to enter into any Franchise Agreement or grant any franchise to Developer or to any other person unless Developer has fully complied with the requirements of this Agreement.

B. CLOSURE OF THE BREAKFAST CLUB AT MIDTOWN RESTAURANTS

If a Franchised Business permanently closes for any reason after having been opened, Developer shall have six (6) months from the date of such permanent closure in which to open a substitute Franchised Business at a location in the Development Area to which Franchisor has consented. This will not in any way affect Developer's obligation to open additional Franchised Businesses in the Development Area in accordance with the Development Schedule.

C. FAILURE TO MEET DEVELOPMENT SCHEDULE

If Developer fails to meet any requirement of the Development Schedule, Franchisor may exercise any of its remedies as provided in Section 10C below. In addition, the initial franchise fee for any additional Franchised Businesses for which Developer signs a Franchise Agreement when Developer is in default under the Development Schedule will be the then-current, non-discounted initial franchise fee.

3. SITE SELECTION PROCEDURE AND SITE DEVELOPMENT

A. DEVELOPER'S OBLIGATION

Developer shall operate Franchised Businesses at sites accepted by Franchisor. Franchisor will provide criteria for locating a site for the Franchised Business but Developer is responsible for all cost, liability, expense, risk and responsibility for locating, obtaining financing for and developing sites for Franchised Businesses, and for constructing and equipping Franchised Businesses at such sites all in accordance with the requirement of the applicable Franchise Agreement. Developer must obtain Franchisor's consent to the real estate broker that will assist Developer in selecting sites.

B. SITE PROPOSAL

Developer shall submit to Franchisor, in the form prescribed by Franchisor, all relevant information concerning a proposed site including, without limitation, the general location and neighborhood, zoning of the site, demographic information about the surrounding area, locations of any other restaurants in the general area of the proposed site, any complementary businesses, traffic flow, parking, rent, size, layout, physical characteristics of the location, building restrictions, lease terms and such other information as Franchisor may require (collectively, "**Site Proposal**"). The Site Proposal shall include: (1) a property description; (2) a demographic profile of the site; (3) a rendering or design plan showing the preliminary proposed layout, including floor plans and prototype and construction drawings for the conceptual appearance of the Franchised Business; and (4) information about the community in which the proposed site is located. Developer must submit a Site Proposal and obtain Franchisor's consent to a site within ninety (90) days of signing the Franchise Agreement. Developer must obtain Franchisor's consent to the architect Developer will use in developing construction drawings and floor plans for its location.

C. FRANCHISOR'S EVALUATION

No Site Proposal shall be deemed accepted until written acceptance is issued by Franchisor. Franchisor will accept or reject the Site Proposal within ten (10) business days after it receives Developer's notice and all relevant information that Franchisor requires or requests from Developer. Franchisor may reject the Site Proposal for any reason. If Franchisor rejects a Site Proposal, Developer must find another site and submit a new Site Proposal.

D. DESIGN; CONSTRUCTION; SIGNAGE

(1) Design and Plans. Franchisor will provide Developer with input on the design and construction or renovation of the site for the Franchised Business. Developer shall develop, at its own cost and subject to Franchisor's consent, a full set of plans and drawings for the Franchised Business. Developer shall obtain Franchisor's consent to the architect Developer hires to prepare floor plans for both the front and back of house areas and interior elevations of the Franchised Business. Once Developer has obtained Franchisor's written consent to such floor plans, Developer shall have its architect prepare construction plans showing site dimensions, topographical evaluations, building type and placement on site, proposed ingress and egress and access to utilities such as electricity and water. Developer's plans shall include any modifications required to comply with local governmental requirements and a proposed equipment list, as well as schedules showing all equipment and fixtures to be installed (collectively, "**Plans**"). The Plans will include specifications for surveillance cameras to be installed at the Franchised Business. Developer shall submit the Plans to Franchisor for Franchisor's review and shall not proceed until Franchisor provides its written consent to the Plans. Franchisor shall respond to Developer concerning the proposed Plans within ten (10) business days after Franchisor receives the complete proposed Plans. It shall be Developer's sole responsibility to submit the Plans to the

appropriate governmental entities for their approval and permitting, in order to comply with local law regarding the securing of any local authority and permits, licenses, or other necessary governmental approvals. If any such governmental entities require modifications to the Plans, Developer shall submit such modifications to Franchisor for its review and consent prior to commencement of construction, refurbishing, renovating or equipping the Franchised Business. Developer shall also submit to Franchisor for review and consent full engineering drawings, including without limitation, electrical, plumbing, heating, ventilation and air conditioning (HVAC), refrigeration and restaurant drawings. Developer may not begin construction until Franchisor has provided its consent to the engineering drawings.

(2) Construction. Developer shall retain a contractor for the Franchised Business that is commercially licensed and adequately insured and that has experience in building structures similar to that of the Franchised Business. Franchisor will provide standards and qualifications to assist Developer in identifying contractors and, upon request by Developer, evaluate the contractor Developer selects. The contractor selected by Developer shall name Developer and Franchisor as additional insureds under its insurance policies. Developer shall cause its contractor to adhere to the Plans to which Franchisor has consented and the contractor may not deviate from the Plans without Franchisor's prior written consent. Franchisor reserves the right to monitor the construction process and Developer shall accord Franchisor complete access to its construction bids, progress and costs and, upon request by Franchisor, videos and photographs of the progress of the construction.

(3) Signage and Decorating Materials. All signage and decorating materials at the Franchised Business site shall conform to Franchisor's specifications. In particular, Developer must post a prominent sign in each Franchised Business identifying Developer as a franchisee of Franchisor in a format that Franchisor deems acceptable, including an acknowledgement that Developer independently owns and operates the Franchised Business and that the Marks are owned by Franchisor and Developer's use is under a license Franchisor has issued to Developer.

E. EXECUTION OF FRANCHISE AGREEMENT

Developer shall sign Franchisor's current form of Franchise Agreement when Developer signs this Agreement. For subsequent Franchised Business locations, Developer must sign Franchisor's then-current form of Franchise Agreement when the Site Proposal is accepted and in no event later than thirty (30) days after Franchisor accepts the Site Proposal.

F. LEASE

Developer shall not sign a lease or contract for the location of a Franchised Business without receiving Franchisor's prior written consent. Franchisor may refuse to consent to a lease for any reason. The lease or contract must contain such additional terms and conditions as Franchisor may require providing for the protection of Franchisor's rights and interests, including, but not limited to, a conditional lease assignment to Franchisor or its nominee in a form acceptable to Franchisor, and including the following:

(1) the absolute and unconditional right of Developer to assign its interest in the lease to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;

(2) the landlord's acknowledgement that Developer shall not assign or transfer the lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(3) the landlord's consent to Developer's use of such signage and other displays of the Marks as Franchisor may require;

(4) the obligation of the landlord to notify Franchisor in writing of any default by Developer of any of the terms and conditions of the lease and to provide to Franchisor, at Franchisor's option, the right to cure any default under the lease within fifteen (15) days after expiration of the period in which Developer is required to cure the default, if Developer fails to do so; provided, however, that Developer shall reimburse Franchisor for any costs and expenses incurred to cure the default;

(5) that no amendment, addition, or other modification or change be made to the lease without obtaining the prior written consent of Franchisor;

(6) that upon expiration or termination for any reason of the Franchise Agreement for a particular Franchised Business, Franchisor's rights under the lease for such Franchised Business shall, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice to the landlord by Franchisor;

(7) Developer's acknowledgment that the landlord may rely upon notice from Franchisor and shall not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(8) that such notice will, without further act or formality, operate as an effective assignment of Developer's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Developer under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord with respect to, any liabilities arising from or relating to Developer's actions, failure to act or defaults prior to the assignment of the lease;

(9) Developer's acknowledgment that the landlord will, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the landlord's possession respecting the premises and the operation of the Franchised Business, including, without limitation, revenue information;

(10) the landlord's acknowledgment that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason whatsoever, to enter the premises and to make any alterations to the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with the System as required by this Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the demised premises;

(11) that Franchisor shall be a third party beneficiary under the lease.

Developer shall be responsible for all costs associated with the negotiation of the lease. Developer shall fully perform all obligations to be performed by Developer under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Developer in response to the notice. All amounts spent by Franchisor to cure any breach by Developer of the lease for the site of the Franchised Business shall be due to Franchisor from Developer upon Franchisor's written demand. Nothing herein shall create an obligation on the part of Franchisor to cure any breach by Developer.

G. OPENING

Developer shall not start operating a Franchised Business and open it to the public until Franchisor has given its consent in writing. Developer shall satisfy the conditions to opening, including, without limitation, the completion of Franchisor's initial training program to Franchisor's satisfaction, as provided in the Franchise Agreement, the execution of Franchisor's then-current Franchise Agreement and the payment of all fees required hereunder and under the Franchise Agreement. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to giving its approval and from time to time during the Term.

DEVELOPER ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE REVIEW OF THE SITE, THE SITE PROPOSAL, THE LEASE AND PLANS, AND IN OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED BUSINESS, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE, THE PLANS, OR THE SUCCESS OR PROFITABILITY OF THE FRANCHISED BUSINESS TO BE OPERATED AT A LOCATION.

4. INSURANCE AND REPORTING REQUIREMENTS

A. INSURANCE

Upon execution of this Agreement, Developer must procure and maintain all insurance required by Franchisor from an insurer or insurers that meet Franchisor's criteria and that has a minimum Best's Rating of A or other comparable rating. Such insurance shall include coverage insuring against all loss and liability arising out of or in connection with the operation of Developer's business including, without limitation, public liability insurance, comprehensive coverage for the franchise business, liquor liability coverage, personal injury insurance, automobile/van coverage for Developer's vehicles, property damage coverage, business interruption coverage, worker's compensation insurance, including employer's liability, with limits as required by law, and any other specialty coverage Franchisor requires and including, without limitation, such other limits and coverage as Franchisor may periodically require. Developer shall maintain such insurance coverage in full force and effect during the entire Term. All such insurance must include coverage for losses that incur for two years after the expiration or termination of this Agreement. Developer shall cause Franchisor and any of its affiliates that Franchisor specifies to be named as additional insureds under all such policies. Developer shall further cause Developer's insurance agent to copy Franchisor on all insurance policies written and issued on behalf of Developer. In addition, all such policies shall provide for thirty (30) days' prior written notice to Franchisor of any material modification, cancellation or expiration. Upon request, Developer shall provide Franchisor with a certificate and any other documents Franchisor requires evidencing coverage for each policy and renewal policy Developer obtains. All amounts spent by Franchisor to secure any insurance coverage Developer fails to obtain shall be due to Franchisor by Developer upon Franchisor's written demand. Nothing herein shall create any obligation on the part of Franchisor to secure any insurance coverage for Developer. Developer also acknowledges that Franchisor may periodically adjust the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, or other relevant changes in circumstances. Developer must also provide a waiver of subrogation in Franchisor's favor and provide that Developer's insurance policies are primary and non-contributory to any policies Franchisor may carry.

B. REPORTS

Within thirty (30) days following the close of each calendar year, Developer shall provide to Franchisor a profit and loss statement and a balance sheet, on such forms as Franchisor may require, prepared in accordance with U.S. generally accepted accounting principles. Within ten (10) days after filing with the Internal Revenue Service, Developer shall provide to Franchisor a copy of any and all tax returns. Developer shall also submit to Franchisor such other financial and non-financial reports and information as Franchisor may require. Developer must certify these statements and reports as true and correct. Each such report shall be in the form and present the information required by Franchisor.

5. INITIAL FEES

A. DEVELOPMENT FEE

Upon execution of this Agreement, Developer shall pay to Franchisor Forty Thousand Dollars ($40,000) for the first location plus Sixteen Thousand Dollars

($16,000) for each additional location listed on the Development Schedule (collectively, "**Development Fee**"). The Development Fee is fully earned by Franchisor immediately upon execution of this Agreement and is non-refundable.

B. INITIAL FRANCHISE FEES

When Developer and Franchisor sign a Franchise Agreement for the first Franchised Business pursuant to this Agreement, Franchisor shall credit Developer with Forty Thousand Dollars ($40,000) for the initial franchise fee. Subject to Section 2C, if the Franchised Business is Developer's second or subsequent Franchise Business to be opened pursuant to this Agreement, the initial franchise fee is Thirty-Two Thousand Dollars ($32,000). When Developer and Franchisor sign a Franchise Agreement for each additional Franchised Business after the first Franchised Business listed on the Development Schedule, Franchisor shall credit Developer with Sixteen Thousand Dollars ($16,000) for the initial franchise fee, and the balance of the initial franchise fee is due and payable.

6. STRUCTURE, OWNERSHIP AND MANAGEMENT OF DEVELOPER

A. ENTITY DEVELOPERS

If Developer is a partnership, Developer shall deliver to Franchisor a copy of its current partnership agreement, and all amendments thereto, prior to the execution of this Agreement. Thereafter, Developer shall deliver to Franchisor copies of all restated partnership agreements and any amendments to the partnership agreement marked to indicate changes since the date of the partnership agreement previously delivered to Franchisor. If Developer is a corporation, Developer shall deliver to Franchisor copies of its certificate or articles of incorporation or other charter documents, its current bylaws and any shareholders' agreement, and all amendments thereto, prior to the execution of this Agreement. Thereafter, Developer shall deliver to Franchisor copies of all subsequent amendments to its certificate or articles of incorporation or other charter documents, its bylaws, and any shareholders' agreement, marked to indicate changes since the date of the certificate or articles, bylaws, shareholders' agreement or other charter documents previously delivered to Franchisor. If Developer is a limited liability company or other entity, Developer shall deliver to Franchisor copies of its certificate of formation or articles of organization, its operating agreement and other charter documents, and all amendments thereto. Thereafter, Developer shall deliver to Franchisor copies of all subsequent amendments to its certificate of formation or articles of organization, operating agreement and other charter documents, marked to indicate changes since the date of the articles, agreement or other documents previously delivered to Franchisor.

B. ORGANIZATIONAL STRUCTURE

If Developer is a corporation, partnership, limited liability company or other entity, Developer shall complete and deliver to Franchisor **Exhibit C**, together with this

Agreement. Developer shall notify Franchisor in writing within ten (10) days after any change in the information contained in **Exhibit C.**

C. LEGEND

If Developer is a corporation or otherwise issues ownership certificates, all securities shall be affixed with the following legend conspicuously on the face of the certificate evidencing the issuance thereof:

> "The transfer of the shares/ownership interest represented by this certificate is subject to the terms and conditions of an Area Development Agreement entered into with Breakfast Club Franchising, Inc. dated ___________, 20__, a copy of which is on file with the Secretary of this corporation/entity."

D. SPOUSAL CONSENT

Developer's spouse, or the spouses of all owners of Developer if Developer is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit E.**

7. CAPITAL REQUIREMENTS; GUARANTY

A. ADEQUATE CAPITALIZATION

Developer represents, warrants and covenants that Developer has available to it sources of capital and financing in amounts adequate to fulfill its obligations under this Agreement. Developer shall maintain its net worth and capital during the Term.

B. PERSONAL GUARANTIES

If Developer is a corporation, a partnership, a limited liability company or other entity, Franchisor shall not be bound unless all shareholders, general partners or members of Developer, as applicable, have read and approved this Agreement and further agree that any restriction applicable to the corporation, partnership, limited liability company or other entity shall also apply to them individually and collectively (including the prohibition on their ability to transfer their interests in Developer) and further agree, if Franchisor so requires, to personally, jointly and severally, guarantee the performance of Developer under the terms of this Agreement by executing the form of Guaranty and Assumption of Developer's Obligations set forth in **Exhibit D** attached hereto.

8. CONFIDENTIAL INFORMATION

A. OWNERSHIP

Developer acknowledges that there is information disclosed by Franchisor pursuant to this Agreement and ancillary agreements and otherwise (including, without limitation, the Proprietary Information, recipes, ingredients, manuals, methods of service, customer lists and databases, sources and suppliers of equipment and, in general, methods, techniques, formulas, formats, specifications, standards, procedures, know-how, information systems and knowledge of the System), that is proprietary, confidential or a trade secret of Franchisor whether or not designated by Franchisor as confidential ("**Confidential Information**"). Such Proprietary Information includes customer information and data, all of which belongs to Franchisor. Developer acknowledges and agrees that Franchisor is the sole owner of all the Confidential Information, that the Confidential Information is being imparted to Developer in trust and confidence, and that the Confidential Information is not generally known to the trade or public and is not known to Developer except by reason of such disclosure. Developer acknowledges that the Confidential Information is economically valuable and that such value is derived from not being generally known to others. Developer agrees to maintain the absolute confidentiality of all Confidential Information during and after the Term. Developer further acknowledges and agrees that Developer does not acquire any interest in the Confidential Information other than the right to utilize it in connection with the performance of Developer's obligations hereunder and the operations of the Franchised Businesses. In addition, Developer acknowledges and agrees that the use, duplication or disclosure of the Confidential Information except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable injury thereby.

B. WORK PRODUCT

Developer acknowledges and agrees that all documents, papers, notes and other material and work product containing or derived from the Confidential Information or connected with Developer's conduct of the Franchised Businesses shall be Confidential Information. Developer further acknowledges and agrees that Developer will have no proprietary interest in any work product developed or used by Developer and related to this Agreement and that all such work product is the sole property of Franchisor. Developer shall, upon Franchisor's request, do all things that may be necessary to establish or document Franchisor's ownership of any such work product.

C. MAINTENANCE OF CONFIDENTIALITY

Developer acknowledges and agrees that the Confidential Information is disclosed to Developer solely on the condition that Developer agrees, and Developer hereby agrees, that Developer:

(1) will use the Confidential Information in strict accordance with the instructions and directions given by Franchisor from time to time;

(2) will not use the Confidential Information, directly or indirectly, in any other business or capacity;

(3) will not, at any time, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the Confidential Information, or any portion thereof, to any person or entity

other than Developer's authorized employees or consultants who need to have such information in connection with their jobs and who first sign Developer's form of confidentiality agreement (in a form acceptable to Franchisor);

(4) will not copy any materials containing the Confidential Information without Franchisor's prior written consent;

(5) will observe and implement all procedures imposed from time to time by Franchisor to prevent the unauthorized use and disclosure of the Confidential Information;

(6) will keep written materials containing any portion of the Confidential Information in a secure manner and place; and

(7) if Developer is legally compelled by a court or government agency to disclose any of the Confidential Information, will do so only if Developer has used its best efforts to afford Franchisor the opportunity of obtaining appropriate protective orders or other assurances of confidentiality satisfactory to Franchisor.

9. COMPETITION

A. DEVELOPER'S COVENANT NOT TO COMPETE

(1) Developer acknowledges that Franchisor could not protect its trade secrets or Confidential Information against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among owners of Franchised Businesses if Developer held interests in any competitive business. Developer acknowledges that Franchisor grants development rights to Developer in part in consideration of, and in reliance upon, Developer's agreement to deal exclusively with Franchisor. Therefore, Developer shall not at any time during the Term, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any restaurant or other business offering food items that are on the Franchised Business menu, or any similar business.

(2) In addition, for two (2) years after the termination or expiration of this Agreement, Developer shall not carry on, be engaged in or advise in the establishment or operation of any restaurant or other business offering food items that are on the Franchised Business menu or similar businesses except: (a) pursuant to Franchise Agreements with Franchisor; or (b) if Developer is not then a party to any Franchise Agreement with Franchisor, only at a site that is at least twenty-five (25) miles from the Development Area. Developer agrees and acknowledges that this restriction represents only a limited one on Developer's ability to conduct a business and that the purpose of this covenant is not to deprive Developer of a means of livelihood, and will not do so,

but is rather to protect the goodwill and interest of the Marks and the System. In the event that Developer does not comply with this provision and Franchisor is required to enforce it, the two (2)-year period is tolled for the period of noncompliance.

B. ACTIVITIES OF OTHER PERSONS

The activities of Developer's immediate family, Developer's owners, officers, directors, shareholders, trusts, trustees, subsidiaries, parent companies, partners, agents and employees or any enterprise in which any of them owns, directly or indirectly, any equity interest (except for investments totaling less than one percent (1%) of the stock of publicly held corporations), for purposes of this Section shall be deemed to be activities of Developer. Upon Franchisor's request, Developer shall obtain the signature of any such persons on Developer's form of non-disclosure and non-competition agreement (in a form acceptable to Franchisor). Developer shall use its best efforts to cause such other persons to observe the terms of those agreements.

C. FAILURE TO COMPLY

The parties agree and acknowledge that the damage caused by Developer's failure to comply with the requirements of this Section 9 will result in damages to Franchisor that are difficult to specify. Therefore, the parties agree that if Developer fails to comply with the restrictions in this Section for any reason then, in addition to any other rights and remedies Franchisor may have, Developer shall pay to Franchisor a hold over fee of Fifty Thousand Dollars ($50,000.00) upon demand by Franchisor and six percent (6%) of the Gross Revenues from the business that Developer continues to operate every Monday for the preceding Monday through Sunday.

10. TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

A. WITH NOTICE AND NO OPPORTUNITY TO CURE

This Agreement shall immediately terminate on delivery of notice of termination to Developer by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Developer:

(1) becomes insolvent or admits in writing Developer's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Developer within thirty (30) days;

(2) has made any material misrepresentation or omission in an application or in any report that Developer submits to Franchisor;

(3) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Developer's rights or obligations under this Agreement;

(4) is a party to any other agreement with Franchisor or its affiliates that is terminated for Developer's breach thereof;

(5) makes any unauthorized use of Confidential Information;

(6) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor, the System, or the Franchised Businesses, or if any principal of Developer is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(7) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations; provided, however, that if compliance requires more than three (3) days, Developer may have such additional time (not to exceed ten (10) days in the aggregate) to comply: (a) if Developer immediately takes steps to begin compliance upon receipt of Franchisor's notice; and (b) if Franchisor does not determine that noncompliance would result in imminent danger to public health and safety;

(8) fails on three (3) or more separate occasions during any twenty-four (24) month period to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Developer and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(9) has a judgment against it issued in the amount of more than Five Thousand Dollars ($5,000) that remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(10) has an undischarged levy of execution on the business to be operated hereunder;

(11) fails to meet any of the deadlines set forth on **Exhibit B** for Site Proposal acceptance, signing of Franchise Agreement or opening date; or

(12) is designated, or any person described in Section 9B is designated, by the United States government as a Specially Designated National or Blocked Person, as defined below.

B. <u>WITH NOTICE AND OPPORTUNITY TO CURE</u>

This Agreement shall terminate upon Developer's failure to cure any of the following, each of which is deemed to be "good cause":

(1) noncompliance with any requirement in this Agreement not listed in Section 10A above or in subsection (2) below within thirty (30) days after notice thereof is delivered to Developer; or

(2) failure to make payments to Franchisor for any amounts due within five (5) days after notice thereof is delivered to Developer.

C. FAILURE TO MEET DEVELOPMENT SCHEDULE

If Developer fails to meet any time requirement set out above in Section 2 or fails to meet any of the deadlines for the development of Franchised Businesses required in the Development Schedule, then Franchisor may (in addition to any other remedies available to it under this Agreement): (1) terminate this Agreement; (2) strike such Franchised Business from the Development Schedule; or (3) terminate Developer's Development Area rights under Section 1C above, and Franchisor shall thereafter be free to itself exercise such rights or to grant such rights to any other person.

D. NO WAIVER

The description of any default in any notice served upon Developer shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

E. ENFORCEMENT

Developer acknowledges that Franchisor’s decision to enforce or not to enforce compliance with its rules and regulations by other developers or franchisees shall not affect Franchisor’s right to enforce such rules and regulations against Developer, even under similar circumstances.

F. CONTINUING OBLIGATIONS

All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including, without limitation, Sections 8, 9, 11E, 12F, 12J and 12M shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

11. ASSIGNMENT, TRANSFER AND ENCUMBRANCE

A. BY FRANCHISOR

This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein.

B. BY DEVELOPER

(1) The rights granted to Developer in this Agreement are personal and Developer acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Developer or, if Developer is a corporation, partnership, limited liability company or other entity, of its principal owners. Accordingly, Developer shall not transfer (as defined below) this Agreement or any interest therein without Franchisor's prior written consent and without offering Franchisor a right of first refusal as provided below. Any attempt at a transfer that violates the provisions of this Section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. A transfer by an individual Developer to an entity that is wholly owned by Developer and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to Franchisor's right of first refusal; provided that Developer notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable including, without limitation, a personal service agreement, an assumption agreement and personal guaranty by Developer as an individual. Developer shall reimburse Franchisor for its expenses in documenting such a transfer.

(2) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Developer, in whole or in part, of any interest in this Agreement, any interest in the business contemplated hereby or more than twenty-five percent (25%) of the ownership of Developer (either by one or by a series of transfers), if Developer is a corporation, partnership, limited liability company or other entity. "**Transfer**" also includes a transfer to the surviving spouse, heirs, estate or other representative of Developer or its owner in the event of Developer's death or the death of an owner of Developer ("**Survivor**").

(3) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

(a) there shall be no existing default in the performance of Developer's obligations under this Agreement or under any other agreement with Franchisor or any of its affiliates;

(b) the Franchised Businesses then operated by Developer shall be in complete compliance with Franchisor's then-current standards;

(c) the proposed transferee shall be qualified according to Franchisor's then-current standards for new developers;

(d) the proposed transferee shall have executed an assumption of this Agreement or, at Franchisor's option, Franchisor's then-current form of development agreement (modified to include the Development Schedule and Term of this Agreement), the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee shall have executed Franchisor’s then-current form of guaranty and any other documents Franchisor deems necessary;

(e) Developer shall reimburse Franchisor its expenses for processing the transfer;

(f) Developer (and its principals and affiliates if Developer is a corporation or other entity) shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its affiliates, associates, officers, directors, managers, shareholders, members, employees, agents and representatives;

(g) any obligations of the transferee to Developer shall be subrogated to the transferee’s obligations to Franchisor;

(h) at Franchisor’s option, Developer must transfer this Agreement together with all other agreements it and its affiliates have entered into with Franchisor or its affiliates and all rights thereunder to the transferee; and

(i) the transferee is not: (i) a person designated by the U.S. Department of Treasury’s Office of Foreign Assets Control from time to time as a “specially designated national or blocked person” or similar status, (ii) a person described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, or (iii) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business (“**Specially Designated National or Blocked Person**”) or a person in which a Specially Designated National or Blocked Person has an interest.

(4) Franchisor’s consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Developer or its owner(s), or of Franchisor’s right to demand strict compliance with this Agreement.

(5) No interest in this Agreement or the development rights shall be the subject of a lien, security interest or pledge either in favor of Developer as part of a transfer, or otherwise.

C. RIGHT OF FIRST REFUSAL

Developer shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within sixty (60) days after receipt of complete information and documents by Developer, Franchisor will inform Developer: (1) whether it or its nominee will exercise its right of first refusal; and (2) if not, whether it will consent to the transfer. In the event that Franchisor notifies Developer that it or its nominee will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee that are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and broker's or finder's fees to be paid by the proposed transferee to Developer or to any principal of Developer). Moreover, Franchisor or its nominee shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transfer, Developer may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor. Developer must close the proposed transfer within ninety (90) days after receipt of Franchisor's notice that it will not exercise its right of first refusal and that it will consent to the transfer.

D. DEATH OR PERMANENT DISABILITY

If Developer, or the principal of a Developer that is not an individual, dies or is permanently disabled in a manner that prohibits performance of Developer's obligations under this Agreement, the Survivor or, in the case of permanent disability, the representative of Developer shall, within sixty (60) days after such death or determination of permanent disability, either meet Franchisor's then-current standards for new developers or transfer this Agreement in accordance with the requirements of this Section. Developer must pay all of Franchisor's expenses incurred in connection with Franchisor's evaluation and training for Developer's Survivor or representative.

E. INDEMNIFICATION OF FRANCHISOR

Developer shall, during the Term and after the termination or expiration of this Agreement, protect, defend, indemnify and hold Franchisor, and its affiliates, associates, officers, directors, shareholders, members, employees, agents, representatives and assignees harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Developer's actions or failure to act, whether personal or in connection with the performance of its obligations under this Agreement, any other actions or failure to act by Developer, its agents or representatives or any breach of this Agreement, including, without limitation, the obligation to comply with applicable law. For purposes of this indemnification, "**claims**" means and includes all obligations, actual and consequential damages, losses, claims, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Developer agrees to cooperate fully with Franchisor in connection with the defense of any claim. Developer shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Developer agrees to cooperate fully with Franchisor in any other claims brought by or against Franchisor.

12. MISCELLANEOUS

A. FORCE MAJEURE

In the event of a natural disaster such as an earthquake, flood, hurricane or fire or a strike, lockout or labor controversy or the happening of any extraordinary event beyond the control of one of the parties, which results in the inability of that party to operate or to provide the services contemplated by this Agreement, there shall be no obligation on the part of that party to operate or to provide such services during the period when such party is unable to do so; provided, however, that this provision shall not affect a party's obligation to make payments required by this Agreement; and provided, further, that in no event shall such postponement last longer than six (6) months.

B. GRAMMAR

The masculine of any pronoun will include the feminine and the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires.

C. INTERPRETATION

When calculating the date upon which or the time within which any act is to be done, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a business day, the period in question shall end on the next business day. The terms of this Agreement shall not be interpreted or construed in favor of or against any party on the ground that one party was the draftsman hereof.

D. SECTION HEADINGS

Section headings are for convenience of reference only and should not be construed as part of this Agreement nor should they limit or define the meaning of any provision herein.

E. NONWAIVER

No failure by either party to take action on account of any default of the other party, whether in a single instance or repeatedly, and no course of dealing of the parties in variance with the terms hereof constitutes a waiver of any such default or of the performance required of either party by this Agreement. No express waiver by either party of any provision or performance hereunder or of any default by the other party constitutes a waiver of any other or future provision, performance or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving party. The parties may in their sole respective discretion elect from time to time to waive obligations of one another under this Agreement upon such terms and conditions as they may, in their sole respective discretion, set forth in such written waiver.

F. NO EXEMPLARY DAMAGES

Neither party to this Agreement shall assert against the other party any claim for special, exemplary or punitive damages arising out of the Franchisor-Developer relationship, the formation or performance of this Agreement, any breach of this Agreement, or the operation of Franchised Businesses.

G. INVALIDITY AND SEVERABILITY

If any provision or portion of a provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision or portion thereof shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or shall be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision or portion thereof had been included herein as so modified in scope or application, or had not been included herein, as the case may be. The stated intention of the parties is that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or portions thereof, or including such provisions or portions thereof only to the maximum scope and application permitted by law, as the case may be. In the event such total or partial invalidity or unenforceability of any provision or portion thereof of this Agreement exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision or portion thereof only to the extent that the laws of such jurisdiction are applicable.

H. NOTICES

Any notice or demand given or made pursuant to the terms of this Agreement will be made in writing and delivered by personal service, e-mail, overnight delivery, or certified mail (postage prepaid) to such address as may be designated from time to time by the relevant party, and which will initially be as set forth as follows:

If given to Franchisor:

Breakfast Club Franchising, Inc.
1432 West San Carlos St., Suite 50
San Jose, California 95126
Telephone: (408) 209-9860
Email: oalitis@yahoo.com

If given to Developer:

____
____
____

Telephone:____________________
E-mail:________________________

Any notice sent by certified mail will be deemed to have been given three (3) business days after the date on which it is mailed. All other notices will be deemed given when sent if sent by e-mail or personal delivery, and one (1) business day after being sent by overnight mail. No objection may be made to the manner of delivery of any notice actually received in writing by an authorized agent of a party.

I. ENTIRE AGREEMENT; MODIFICATION

This Agreement, any documents executed contemporaneously herewith which expressly reference this Agreement and any documents referred to herein constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to herein; provided, however, that nothing in this Agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Developer. This Agreement supersedes and extinguishes any prior written agreement between the parties or any of them relating to the subject matter hereof. This Agreement may not be modified or amended except by a written amendment executed by both parties.

J. CONTROLLING LAW; DISPUTE RESOLUTION; ATTORNEYS' FEES AND EQUITABLE RELIEF

(1) Except as set forth below, this Agreement, including all matters relating to the validity, construction, performance, and enforcement thereof, shall be governed by the laws of California without giving effect to its provision regarding choice of laws. Nothing in this Section is intended, or shall be deemed, to make any franchise, business opportunity or other law apply to this Agreement, or the transactions or relationships contemplated hereby, if such law would not otherwise be applicable.

(2) Upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof (in each case, a **"Dispute"**), the Dispute shall first be submitted to mediation on an expedited basis in or nearest to the city in which Franchisor's headquarters is then located, administered by JAMS, or its successor, in accordance with JAMS rules and procedures then in effect. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within thirty (30) days after such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claims under this Agreement, including, without limitation, an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and

do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties will cooperate with JAMS and with one another in selecting a neutral mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The mediator must be a retired judge or an attorney experienced in complex commercial transactions. If the parties are unable to select the mediator within ten (10) days after receipt of the mediation notice by JAMS, then JAMS shall designate the mediator. The parties covenant that they will: (a) participate in the mediation in good faith; (b) share equally in the fees and costs of the mediator and related JAMS administrative costs; and (c) pay in advance the estimated fees and costs of the mediation, as may be specified in advance by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator and any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any reference, arbitration, litigation or other proceeding involving the parties; provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may file a motion to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including attorneys' fees in connection with such motion. If the Dispute is not resolved within ten (10) days after the first mediation session, either party may (i) give written notice to JAMS and the other party that the mediation is terminated and (ii) submit any remaining Disputes to binding arbitration pursuant to Section 12J(3) below.

(3) If the parties are unable to resolve the Dispute pursuant to Section 12J(2) above, then the parties shall submit the Dispute to final and binding arbitration in or nearest to the city in which Franchisor's headquarters is then located, administered by JAMS, or its successor, in accordance with the rules and procedures of JAMS then in effect. Any party may commence the arbitration by filing a written demand for arbitration with JAMS, with a copy to the other party, setting forth the subject of the Dispute and the relief requested, with the expectation that the first arbitration session shall occur within thirty (30) days after such written demand. The party seeking the arbitration must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claims under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, JAMS shall designate the arbitrator. The parties will cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS procedures. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom

enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court or by a jury.

(4) The parties recognize that their relationship is unique and that each developer is situated differently from all other developers, and that no one developer can adequately represent the interest of others. Therefore, the parties agree that any arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(5) The prevailing party in any legal proceeding will be entitled to recover its costs and, as an element of such party's cost of arbitration, suit or proceeding, and not as damages, attorneys' fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of One Hundred Dollars ($100.00) shall be sufficient bond), in connection with the Marks, trade dress, Proprietary Information or Confidential Information. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including, without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

K. <u>RELATIONSHIP OF PARTIES</u>

(1) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the business conducted hereunder, Developer is, and shall be, an independent contractor. Neither Franchisor nor Developer has the right to bind or obligate the other to any obligations or debts.

(2) It is acknowledged that Developer is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Developer shall conspicuously identify itself as the independent owner of its business. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Developer's business, whether caused by Developer's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it.

(3) Developer's employees are under Developer's sole control. Franchisor is not the employer or joint employer of Developer's employees. Franchisor will not exercise direct or indirect control of Developer's employees' working conditions. Franchisor does not share or codetermine the terms and conditions of employment of Developer's employees or participate in matters relating to the employment relationship between Developer and its employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints or working conditions. Developer has sole responsibility and authority for these terms and conditions of employment. Developer must notify and communicate clearly with its employees in all dealings, including, without limitation, its written and electronic correspondence, paychecks, and other materials, that Developer (and only Developer) is their employer and that Franchisor is not their employer.

(4) Nothing anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision.

L. COMPLIANCE WITH LOCAL LAW

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such law or rule.

M. STATUTE OF LIMITATIONS

The parties hereby acknowledge and agree that any suit, action or other proceeding relating to this Agreement must be brought within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

N. SUCCESSION; THIRD PARTY BENEFICIARY

Franchisor's right to sublicense Developer to use the Marks in the Franchise Agreement is pursuant to a Trademark License Agreement with ATG Investments, LLC. In the event Franchisor ceases for any reason to receive the right from ATG Investments, LLC to license Developer to use the Marks, Developer agrees that ATG Investments, LLC shall, at its option, succeed to all of the rights and assume all of the obligations of Franchisor under this Agreement. ATG Investments, LLC is a third party beneficiary of this Agreement. If requested, Developer agrees to enter into a novation agreement with Investments, LLC.

O. REASONABLE BUSINESS JUDGMENT

When a provision in this Agreement requires Franchisor to make a decision or determination, and the provision does not state otherwise, Franchisor shall make such decision or determination utilizing reasonable business judgment. Reasonable business judgment means that Franchisor's action or inaction has a business basis that is intended to benefit the System or the profitability of Franchised Businesses and Franchisor, regardless of whether some individual developers or franchisees may be unfavorably affected; or to increase the value of the Marks; or to increase or enhance overall customer or franchisee satisfaction; or to minimize possible brand inconsistencies or customer confusion. In the event that such obligation or exercise of discretion is unrelated to Franchised Businesses or the Marks, reasonable business judgment means that Franchisor has a business basis and has not acted in bad faith. Developer shall have the burden of establishing that Franchisor failed to exercise reasonable business judgment, and neither the fact that Franchisor benefited economically from an action nor the existence of other "reasonable" alternatives will, by themselves, establish such failure.

P. REPRESENTATIONS AND WARRANTIES

(1) Developer represents and warrants to Franchisor that neither Developer (including, without limitation, any and all of its directors, officers and managers), nor any of its affiliates or the funding sources for either is a Specially Designated National or Blocked Person. Neither Developer nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government. Neither Developer nor any of its affiliates is acting on behalf of a government of any country that is subject to such an embargo. Developer further represents and warrants that it is in compliance with any applicable anti-money laundering law, including, without limitation, the USA Patriot Act.

(2) Developer (on behalf of itself and all of the holders of (a) an equity interest in Developer, and (b) an equity interest in holders of equity interests in Developer) represents and warrants to Franchisor that execution and delivery of this Agreement and the performance of Developer's obligations hereunder, does not: (i) conflict with, violate, result in a breach of or constitute a default (or an event which, with notice or passage of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, any other agreement to which Developer or any such holder is party or by which Developer or any such holder, or any of their respective assets may be bound; (ii) violate any order, writ, injunction, decree, judgment or ruling of any court or governmental authority; or (iii) violate any applicable law.

(3) Developer represents and warrants to Franchisor that neither Franchisor nor any of its representatives has made any of the following representations:

(a) that Franchisor guarantees, conditionally or unconditionally, or make a written or oral representation: (i) that would cause a reasonable person in Developer's position to believe that income is assured; (ii) that Developer will derive income from the Franchised Businesses; (iii) that Developer's investment is protected from loss; or (iv) that Developer can earn a profit in excess of its initial payment;

(b) that Franchisor will refund all or part of the fees paid by Developer (including, without limitation, a representation that Franchisor will refund Developer's initial payment or return any promissory note upon termination or non-renewal of the franchised business) or repurchase any of the products, equipment, supplies, goods or chattels supplied by Franchisor or its affiliate to Developer;

(c) that Developer will be provided with retail outlets or accounts, or assistance in establishing retail outlets or accounts, for the sale or distribution of goods or services; or

(d) that there is a market for the goods or services to be offered, sold or distributed by Developer.

(4) Developer agrees that it will notify Franchisor in writing immediately upon the occurrence of any event that would render the foregoing representations and warranties of this Section incorrect.

Developer acknowledges that Franchisor is relying on the representations and warranties set forth above in deciding to grant the rights under this Agreement to Developer.

Q. ACKNOWLEDGMENTS.

Developer acknowledges and represents to Franchisor to induce Franchisor to enter into this Agreement, as follows:

(1) DEVELOPER HAS READ THIS AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLY NECESSARY TO MAINTAIN THE SYSTEM'S HIGH STANDARDS OF QUALITY AND SERVICE AND THE UNIFORMITY OF THOSE HIGH STANDARDS IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. DEVELOPER ACKNOWLEDGES THAT FRANCHISOR OR ITS REPRESENTATIVES HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF SUCH DOCUMENTS TO THE SATISFACTION OF DEVELOPER;

(2) DEVELOPER HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS THAT IS THE SUBJECT OF THIS AGREEMENT. DEVELOPER RECOGNIZES THAT THE NATURE OF THIS BUSINESS MAY EVOLVE AND CHANGE OVER TIME; THAT IT INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE DEPENDS PRIMARILY UPON DEVELOPER'S INDIVIDUAL AND INDEPENDENT BUSINESS ABILITY AND EFFORTS. DEVELOPER UNDERSTANDS THAT THE BREAKFAST CLUB AT MIDTOWN

RESTAURANTS ARE A RELATIVELY NEW CONCEPT THAT ENTAILS BUSINESS RISKS. DEVELOPER HAS CONSULTED WITH SUCH PROFESSIONAL ADVISORS OF DEVELOPER'S CHOOSING AS IT DEEMS NECESSARY, INCLUDING LEGAL COUNSEL, REGARDING ALL ASPECTS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, ALL RELATED AGREEMENTS, AND THE BUSINESS RELATIONSHIP CREATED THEREBY, AND TO DETERMINE THAT IT IS FINANCIALLY AND OTHERWISE PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE;

(3) DEVELOPER HAS NOT RECEIVED OR RELIED UPON ANY PROMISE, REPRESENTATION, GUARANTEE OR WARRANTY, EXPRESSED OR IMPLIED, ABOUT THE POTENTIAL VOLUME, REVENUES, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;

(4) DEVELOPER IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE DEVELOPERS OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORM OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS DEVELOPERS MAY DIFFER MATERIALLY;

(5) NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, SALES PERSONNEL, AGENTS OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT HERETOFORE RECEIVED BY DEVELOPER OR TO THE TERMS CONTAINED IN THIS AGREEMENT, AND DEVELOPER HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS.

(6) IN ALL OF THEIR DEALINGS WITH DEVELOPER, THE OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, PERSONNEL, AGENTS AND REPRESENTATIVES OF FRANCHISOR ACT ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN DEVELOPER AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN DEVELOPER AND FRANCHISOR;

(7) DEVELOPER ACKNOWLEDGES THAT IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT CONTEMPLATED HEREBY, FRANCHISOR MAY DO SO IN ITS SOLE DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION. SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS SOLE DISCRETION, ELECT TO NOT ENFORCE (OR TO SELECTIVELY ENFORCE) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO DEVELOPER OR ANY OTHER FRANCHISEE, DEVELOPER OR OTHERWISE, AND FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE OR DEVELOPER, ALL WITHOUT LIABILITY OR

OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO STRICTLY ENFORCE THIS AGREEMENT OR OTHERWISE; AND

(8) THE APPLICATION MADE BY DEVELOPER IS TRUE AND CORRECT. DEVELOPER HAS MADE NO INCORRECT STATEMENT IN THE APPLICATION OR FAILED TO MAKE ANY STATEMENT THAT WOULD BE NECESSARY TO MAKE THE STATEMENTS IN THE APPLICATION NOT MISLEADING.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date stated on the first page hereof.

Franchisor:

BREAKFAST CLUB FRANCHISING, INC.,
a California corporation

By:______________________________
Name:____________________________
Title:_____________________________

Developer:

____

____
(Signature)

____
(Print Name and Title, if applicable)

Exhibit A

DESCRIPTION OF DEVELOPMENT AREA

____

____

____

Developer: ______________________________

________________: _______________________

Exhibit B

DEVELOPMENT SCHEDULE

Date: _________, 20__

Franchised Business #	Site Proposal Acceptance by Franchisor	Franchise Agreement Signed	Opening Date
____________	____________	__________________	__________________
____________	____________	__________________	__________________
____________	____________	__________________	__________________
____________	____________	__________________	__________________
____________	____________	__________________	__________________

Accepted by:______________________________
[Name]

Accepted by:______________________________
for ______________________

Exhibit C

INFORMATION REGARDING NON-INDIVIDUAL DEVELOPERS

(a) If Developer is a corporation or limited liability company or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Developer:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP
________________	________________	__________	________________
________________	________________	__________	________________
________________	________________	__________	________________

(b) If Developer is a corporation or limited liability company, there is set forth below, the name, address and title of each officer and director or manager of Developer:

NAME	ADDRESS	TITLE
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________

(c) The address where Developer's records are maintained is:

____
____
____

(d) There is set forth below the name, address and title of each of Developer's principal officers, managers or partners who will be devoting their full time efforts to development of Franchised Businesses:

NAME	ADDRESS	TITLE
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________

Date:______________________________

____
Signature

____
Print Name

Exhibit D

GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement ("**Agreement**") with Breakfast Club Franchising, Inc., a California corporation ("**Franchisor**"), of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ____________________, a(n) ____________________ ("**Developer**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including, but not limited to, monetary obligations and dispute resolution procedures.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Guaranty is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

This Guaranty will continue in effect as to each of the undersigned until the date that Developer fully performs all its obligations under the Agreement, or until one or more of the undersigned fully perform them in Developer's stead, or until Franchisor agrees in writing to release such individual from his or her obligations hereunder.

Each of the undersigned waives any claim for exemplary or punitive damages arising out of this Guaranty, the Franchisor-Developer relationship, the performance of the Agreement, any breach of the Agreement, or the development or operation of any Franchised Business.

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By:____
Print Name:______________________________

By:____
Print Name:______________________________

By:____
Print Name:______________________________

By:____
Print Name:______________________________

By:____
Print Name:______________________________

Exhibit E

SPOUSAL CONSENT

The undersigned each being the spouse of a Developer (or the spouse of an owner of the Developer) hereby states

1) That he or she has read and understands the Area Development Agreement and the Franchise Disclosure Document for The Breakfast Club at Midtown; and

2) That he or she consents to the terms and conditions of the Area Development Agreement, including but not limited to those concerning transfer, and

3) That he or she consents to execution of the Area Development Agreement by Developer; and

4) That he or she consents to execution of the Guaranty and Assumption of Developer's Obligations.

Dated:______________________

Signature:__________________________
Print Name:_________________________

EXHIBIT F

ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
BREAKFAST CLUB FRANCHISING, INC.
REQUIRED BY THE STATE OF CALIFORNIA

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

1. Neither Breakfast Club Franchising, Inc. nor any other person listed in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

3. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

4. California Corporations Code Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

5. The Franchise Agreement and Area Development Agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Notwithstanding anything disclosed in this Addendum, the parties have a meeting of the minds and agree upon the terms of the Franchise Agreement and the Area Development Agreement.

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

EXHIBIT G

THE BREAKFAST CLUB
AT MIDTOWN
FRANCHISE OPERATIONS MANUAL

TABLE of CONTENTS

iFranchise Group

B. PRE-OPENING PROCEDURES

C. HUMAN RESOURCES

C. Human Resources (continued)

D. DAILY OPERATING PROCEDURES

D. Daily Operating Procedures (continued)

E. MANAGING THE BREAKFAST CLUB AT MIDTOWN

E. MANAGING THE BREAKFAST CLUB AT MIDTOWN (continued)

F. ADVERTISING/MARKETING

Appendix A Forms

EXHIBIT H

ADDENDUM TO FRANCHISE [1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on ________________, 20____, by and between ____ ("Franchisor"), located at ____, and ____ ("Franchisee"), located at ____.

Franchisor and Franchisee entered into a Franchise Agreement on ________________, 20___, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

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

FORCED SALE OF ASSETS

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

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[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

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

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR:

By: ______________________________

Print Name: ______________________

Title: ______________________________

Authorized Representative of FRANCHISEE:

By: ______________________________

Print Name: ______________________

Title: ______________________________

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

EXHIBIT I

LEASE ADDENDUM

This Addendum is entered into as of _________________ by and among ___________, a(n) ____________ ("**Landlord**"), _____________, a(n) ____________ ("**Tenant**") and Breakfast Club Franchising, Inc., a California corporation ("**Franchisor**"), with respect to the following:

RECITALS

A. Landlord and Tenant are entering into a lease of today's date for the operation of a The Breakfast Club at Midtown™ restaurant at ____________________________ ("**Lease**").

B. Franchisor and Tenant have entered into a Franchise Agreement dated __________ ("**Franchise Agreement**") that requires that certain provisions be included in the Lease.

NOW, THEREFORE, in consideration of these premises and of the mutual covenants contained herein, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

(1) Tenant has the absolute and unconditional right to assign its interest in the Lease to Franchisor or Franchisor's nominee at any time without the consent of Landlord and without rent increase or penalty;

(2) Landlord acknowledges that Tenant shall not assign or transfer the Lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(3) Landlord consents to Tenant's use of such signage and other displays of Franchisor's trademarks as Franchisor may require;

(4) Landlord will notify Franchisor in writing of any default by Tenant of any of the terms and conditions of the Lease and will provide to Franchisor, at Franchisor's option, the right to cure any default under the Lease within fifteen (15) days after expiration of the period in which Tenant is required to cure the default, if Tenant fails to do so;

(5) that no amendment or addition, or other modification or change may be made to the Lease without obtaining the prior written consent of Franchisor;

(6) that upon expiration or termination for any reason of the Franchise Agreement, Tenant's rights under the Lease will, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;

(7) Tenant acknowledges that Landlord may rely upon such notice and will not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(8) that such notice will, without further act or formality, operate as an effective assignment of Tenant's rights under the Lease to Franchisor or its nominee without rent

increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Tenant under the Lease; provided, however, that Landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to Landlord, with respect to any liabilities arising from or relating to Tenant's actions, failure to act or defaults prior to the assignment of the Lease;

(9) Tenant acknowledges that Landlord will, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in Landlord's possession respecting the premises and the operation of the franchised business, including, without limitation, revenue information;

(10) Landlord acknowledges that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason whatsoever, to enter the premises and to make any alterations to the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with Franchisor's system and, in the event of the exercise by Franchisor of such right, Landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the Lease nor a subletting of the premises; and

(11) that Franchisor is a third party beneficiary under the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

Landlord: ___________________________	**Tenant: _____________________________**
By:__________________________________	By:__________________________________
Title:________________________________	Title:________________________________
Date:________________________________	Date:________________________________

Franchisor: Breakfast Club Franchising, Inc.

By:__________________________________

Title:________________________________

Date:________________________________

EXHIBIT J

LIST OF CURRENT FRANCHISEES

AS OF DECEMBER 31, 2023

None

LIST OF FORMER FRANCHISEES

JANUARY 1, 2023 – DECEMBER 31, 2023

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

None

State Effective Dates

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

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

State	Effective Date
California	Pending

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

RECEIPT

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

If Breakfast Club Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

Following is information about the franchise seller involved in this transaction:
☐ Spiro Tsaboukos, 1432 West Carlos Street, Suite 50, San Jose, CA 95126; (408) 209-9860
☐____
Issuance Date: September 5, 2024

Breakfast Club Franchising, Inc. authorizes the respective state agencies listed on Exhibit B to receive service of process in the particular state.

I received a Disclosure Document dated September 5, 2024 included the following Exhibits:
A. List of State Franchise Administrators
B. List of Agents for Service of Process
C. Financial Statements
D. Franchise Agreement and Addenda
E. Area Development Agreement and Addenda
F. State-Specific Addenda to Franchise Disclosure Document
G. The Breakfast Club at Midtown Standards Manual Table of Contents
H. SBA Addendum
I. Lease Addendum
J. Information on Franchisees
State Effective Dates Page

Date:__________________________

Franchisee:________________________________
Print Name:________________________________
Individually and as an officer, partner or member of
____,
a ____,
which has been or will be formed to act as franchisee
Address:__________________________________
____
Telephone:________________________________

Keep this form for your records.

RECEIPT

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

If Breakfast Club Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Following is information about the franchise seller involved in this transaction:
☐ Spiro Tsaboukos, 1432 San Carlos Street, Suite 50, San Jose, CA 95126; (408) 209-9860
☐ ____

Issuance Date: September 5, 2024

Breakfast Club Franchising, Inc. authorizes the respective state agencies listed on Exhibit B to receive service of process in the particular state.

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I. Lease Addendum
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State Effective Dates Page

Date:__________________________

Franchisee:________________________________
Print Name:________________________________
Individually and as an officer, partner or member of
____,
a ____,
which has been or will be formed to act as franchisee
Address:__________________________________
____
Telephone:________________________________

Please sign and date this form the date you receive it and return it to Spiro Tsaboukos at 1432 West San Carlos Street, Suite 50, San Jose, California 95126.