

FRANCHISE DISCLOSURE DOCUMENT



TLF Holdings Inc.
a Maryland corporation
711 W. 40th Street, Suite 152
Baltimore, Maryland 21211
(443) 528-7077
franchise@TheLocalFry.com
www.TheLocalFry.com

This disclosure document describes franchises for a restaurant business which provide eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other such additional products as Franchisor may designate from time to time for on premises and carry out consumption (the “The Local Fry Restaurants”).

The total investment necessary to begin operation of a Local Fry Restaurant franchised business is \$556,500 to \$755,500. This range includes a \$35,000 franchise fee that must be paid to the franchisor or its affiliate(s). If you sign a Development Agreement, you must establish at least two Restaurants. The total investment necessary to establish two Restaurants is \$1,171,000 to \$1,551,000. This range includes \$35,000 that must be paid to the franchisor or its affiliate(s).

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact The Local Fry’s office at 711 W. 40th St., Ste 152, Baltimore, MD 21211 and telephone number (443) 528-7077.

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

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

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

Issuance Date: March 18, 2026.

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 E.
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 G 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 Local Fry Restaurant 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 The Local Fry franchisee?	Item 20 or Exhibit E list 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 and/or litigation only in Maryland, where the franchisor's principal place of business is located. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Maryland than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

- (A) A prohibition on the right of a franchisee to join an association of franchisees.
- (B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term, except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof, and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value, at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (i) the term of the franchises less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. The section does not require a renewal provision.
- (F) A provision requiring that arbitration or litigation is conducted outside the State. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration location outside this State.
- (G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet the franchisor's then current.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (H) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to franchisor a

right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (C).

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

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

**THE LOCAL FRY
FRANCHISE DISCLOSURE DOCUMENT**

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B	Area Development Agreement	H	Table of Contents for Manual
C	List of State Administrators	I	State-specific Disclosures
D	Agents for Service of Process	J	State-specific Agreement Amendments
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F	List of Existing Company-Owned The Local Fry Restaurants	L	Receipts (2 copies)

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

The Franchisor

TLF HOLDINGS INC., a Maryland corporation (“us,” “our” or “we”) is the franchisor.

We are a Maryland corporation, and we were incorporated on March 9, 2023. We maintain our principal place of business at 711 W. 40th St., Ste 152, Baltimore, MD 21211. Our agent for service of process is Kevin Irish and his address is 7228 Fair Oak Drive, Hanover, Maryland 21076.

We conduct business under the name and mark “The Local Fry.” We do not conduct business under any other name.

We franchise the right to operate a The Local Fry Restaurant (the “**Restaurant**”). We began offering franchises for The Local Fry restaurants in May, 2023. We do not offer any franchise other than as described in this Disclosure Document, and we do not engage in any business activity other than such franchising activities and the operation of restaurants using the “The Local Fry” name and mark. We operate 1 Restaurant. The Restaurant is located in Maryland.

Our Parent, Predecessors and Affiliates

We do not have any parents or predecessors.

There is currently one The Local Fry Restaurants that was developed and operating before we were formed and before we started franchising. This Restaurant is owned by our affiliate, Elevin Group Inc. and is considered a company-owned Restaurant. None of our affiliates have offered franchises for this business or franchises for any other line of business nor have any affiliates provided products or services to the franchisees of the franchisor.

The Franchise Offered

Franchise Agreement

We offer franchise agreements (“Franchise Agreements”) with qualified entities and persons (“you”) that wish to establish and operate Restaurants. (In this Disclosure Document, “you” means the person or legal entity with whom we enter into an agreement. This person or entity will be the “franchisee.” The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee”). The form of Franchise Agreement that we intend to offer to you is attached to this Disclosure Document as Exhibit A.

Area Development Agreement

We also may offer an area development agreement (the “Development Agreement”) to qualified entities and persons (“you” or the “Developer”). The Development Agreement grants the Developer the right to establish and operate a specified number of The Local Fry Restaurants in a specified area (the “Development Area”) at specific locations to be designated in separate Franchise Agreements.

If you sign a Development Agreement, you must open each Restaurant in accordance with the schedule for developing Restaurants described in Exhibit A to the Development Agreement (the

“Development Schedule”). The Developer must exercise each development right by executing a Franchise Agreement for the establishment and operation of a Restaurant. For each future Restaurant that Developer develops, Developer may be required to sign a Franchise Agreement different from the form of Franchise Agreement included in this Franchise Disclosure Document.

The number of Restaurants to be established under the Development Schedule will be mutually determined by you and us. Under the Development Agreement, you must agree to establish a certain number of Restaurants (at least two Restaurants) within the Development Area according to a development schedule, and sign a separate Franchise Agreement for each Restaurant established under the Development Agreement. During the term of the Development Schedule, you must operate and maintain at least the number of Restaurants which are required to be established according to the terms of the Development Schedule.

The Local Fry Restaurants

The Local Fry Restaurants are characterized by our format and system (the “System”) and are operated in buildings that bear our trade dress (interior, exterior, or both). The Local Fry Restaurants specialize in the sale of an eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other products that we may from time to time designate for on-premises and carry-out consumption. We may periodically change and improve parts of the System.

You must operate your Restaurant according to our standards and procedures, as set out in our Confidential Operating Manual (the “Manual”). We will lend you a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use the Proprietary Marks that we designate in writing for use with the System.

Restaurants will be operated from an indoor structure that need not be free-standing, that is approximately 1,000 to 2,500 square feet in size, and is located in areas near shopping and other traffic generators. We will have the final approval of all sites, and interior and exterior appearances.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including, for example, health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. Your restaurant may require a license for baking and preparing and serving food on-premises and your restaurant must also comply with local fire codes. You must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to sanitation, labeling, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Restaurant’s operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer a restaurant and/or sports bar experience. The market for these businesses is well-established and highly competitive. Some of the regional or national chains that you may compete with include Kava, Chipotle and 5 Guys. The quick-casual Restaurant concepts compete on the basis of many factors, such as price, service, location, product quality, promotions and marketing programs. These

businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns.

ITEM 2

BUSINESS EXPERIENCE

President, Chief Executive Officer and Member of the Board of Directors: **Kevin Irish**

Mr. Irish has been our President and Chief Executive Officer since March 2023. Since June 2018, Mr. Irish has been one of the of founders and owners of Elevin Group Inc. in Baltimore, MD. Since January 2021 he has been one of the Restaurant Owners of Toki Tako Inc. in Baltimore, MD.

Vice President and Member of the Board of Directors: **Elizabeth Irish**

Mrs. Irish has been our Vice President since March 2023. Since June 2018, Mrs. Irish has been one of the of founders and owners of Elevin Group Inc. in Baltimore, MD. Since January 2021 she has also been a Restaurant Owner of Toki Tako Inc. in Baltimore, MD. From January 2018 to present, Mrs. Irish has also served as Restaurant Manager at Kimmys Restaurant & Carryout Inc. in Baltimore, MD.

Franchise Sales Consultant: **Paul Stratmeyer**

Mr. Stratmeyer has been our Franchise Sales Consultant since March 2023. Since March 2018, Mr. Stratmeyer has been franchise consultant to All American Steakhouse International in Edgewater, Maryland. From May 2019 to May 2021, Mr. Stratmeyer was franchise consultant to Thompson Hospitality in Herndon, Virginia.

Unless otherwise indicated, the location of the employer is Baltimore, Maryland.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$35,000. The franchise fee is payable in a lump sum. If you have paid us a development fee under a Development Agreement, and the Restaurant is established under the Development Schedule, then we will credit a portion of the development fee paid to us for the Restaurant, as described below, and you will have to pay the balance of the initial franchise fee. Except as described below, payment of the initial franchise fee will be non-refundable in consideration of administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others. Except as described in this Item 5,

the initial franchise fee is uniform. The highest and lowest initial franchise fees actually paid to us during our last complete fiscal year was \$35,000.

Development Fee

When you sign a Development Agreement, you must pay us a non-refundable development fee (the “Development Fee”) in an amount equal to \$17,500 for each Restaurant to be established under the Development Schedule. The Development Fee is payable in a lump sum. During our last complete fiscal year we did not sell any franchises; therefore, there is neither a high nor low amount paid for Development Fees. Under the Development Agreement, you must agree to establish at least two Restaurants.

If you remain in full compliance with the Development Schedule, and are not otherwise in default under any provisions of the Development Agreement, or any other Franchise Agreement, then for each initial franchise fee you pay under a Franchise Agreement, you will receive a credit towards the initial franchise fee in the amount of the portion of the development fee paid to us for that Restaurant.

Extension Fee

Under the Development Agreement, we may grant you extensions to meet the Development Schedule in full-month increments. You must request from us an extension of the applicable deadline at least 14 days before the deadline date, and provide the number of full months of extensions requested. If we grant an extension on any deadline, we will determine the length of the extension in our sole discretion, not to exceed the number of full months requested by you, and you must pay an extension fee to us equal to \$2,000 per full month to compensate us for our costs, expenses and lost opportunities related to the proposed extension (the “Extension Fee”). The Extension Fee is payable in a lump sum. We may consider a variety of factors in granting or denying an extension, including the diligence you have shown in meeting the Development Schedule. The Extension Fee is fully earned by us when due and is nonrefundable, and will not be credited against any Initial Franchise Fee.

ITEM 6 **OTHER FEES**

Fee (Note 1)	Amount	Date Due	Remarks
Royalty	6% of Adjusted Gross Sales	Each Week, on or before the third business day, calculated on the Adjusted Gross Sales for the prior Week	Note 2 below defines “Adjusted Gross Sales” and “Week.”
Total Marketing Obligation	Up to 5% of Adjusted Gross Sales divided among the Ad Fund, any Regional Marketing Fund (or, any Regional Co-op) and Local Store Marketing (Note 3)	Same as Royalty	

Fee (Note 1)	Amount	Date Due	Remarks
Grand Opening Advertising	Between \$3,000 and \$5,000	Within 90 days after opening of Restaurant	
Transfer Fee	50% of then-current initial franchise fee. No fee if transfer is for less than 10% interest in franchisee.	At time of transfer	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes the sale of your franchise or your company.
Extension Fee (Development Agreement)	\$2,000 for each months granted	Upon demand	You must pay us an Extension Fee for each full month of extensions we grant you under your Development Schedule.
Renewal Fee	50% of the then-current franchise fee	At the time you sign the renewal franchise agreement	The renewal fee is in addition to any costs for remodeling that we may require as a condition of renewal.
Interest on Overdue Amounts	1.5% per month on the underpayment (Note 4)	Upon demand	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Costs and Attorneys' Fees	Depends upon the actual expenses incurred	Upon demand	Only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including attorneys' fees) as a result of your default and to enforce and terminate the agreement.
Canceled Check	\$100	Upon demand, if incurred	If you make a payment to us by check and such check is returned to you from a financial institution without having made payment to us, then we have the right to charge you the fee for each returned check.
Supplier Testing	\$1,000	Upon demand, if incurred	If you propose a new supplier of products, and we inspect the supplier or test the supplier's products, we may charge you or the supplier for our costs in conducting those inspections or running those tests.
Product Testing	Actual expenses incurred in testing unapproved on non-conforming items	Upon demand	If we test samples of items being sold in your Restaurant and such items were not previously approved or if the items fail to conform to our specifications, we may charge you for the cost of testing the items.

Fee (Note 1)	Amount	Date Due	Remarks
Audit Costs	All costs and expenses associated with the audit, accounting and legal costs. This amount will depend upon the actual expenses incurred	Upon demand	Payable only if we audit because you did not submit sales statements or keep books and records or if you underreport your sales or underpay your royalties by 2% or more. (You will also have to pay interest on the underpayment.)
Indemnity	Will vary under circumstances depending upon the actual losses sustained	As incurred	You must indemnify us, and reimburse us for our costs (including our attorneys' fees) if we are sued or held liable in any case having anything to do with your business operations.
Non-compliance Fee	\$1,000 for second violation in 12-month period; \$2,000 for third and \$4,000 for each violation thereafter	As incurred	If, after we notify you, you fail to comply with the System standards, we may charge you a fee.
On-Site Evaluation	Depends upon our actual costs in performing such evaluation	As incurred	If we deem it necessary to provide on-site evaluation for the establishment of a Restaurant, you must reimburse us for all expenses we incur in connection with such on-site evaluation, including, without limitation, salary, the cost of travel, lodging and meals.
Additional training (Note 5)	Our per-diem charges, plus our out-of-pocket costs	Upon demand	If you ask us to send trainers to your restaurant for additional training, and we do so, then you will have to pay our trainers' expenses and our then-current per diem charge for extra training. Our current per diem charge is \$250 per trainer per day (we reserve the right to change our per diem rate in the future).

(Please review this table in conjunction with the notes that follow.)

Notes:

1. All fees are non-refundable. Except as otherwise noted, we impose all the fees in this table. You pay them to us.
2. The term “**Adjusted Gross Sales**” means all revenue from the sale of all products, including all food and beverage products, all merchandise, all other products or services offered at or from the Restaurant, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, including revenue from door cover charges, amusement games, games of chance, ATMs, and proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that “Adjusted Gross

Sales” excludes any customer refunds, coupon sales, sales taxes, employee meal allowances greater than the revenue actually received, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities. The specific rules and requirements for calculating and determining Adjusted Gross Sales, including accounting and recording policies, will be described in the Manual. We may change these rules, requirements, and policies from time to time, and you must comply with all of these rules, requirements, and policies. If a state or local law in which the Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect royalty fees or other amounts based on Adjusted Gross Sales derived from the sale of alcoholic beverages at the Restaurant, then we and you will renegotiate the royalty fees and other provisions to provide the same basic economic effect to both us and you as otherwise provided in the Franchise Agreement, with a corresponding change to the definition of Adjusted Gross Sales.

If we require, you must pay your royalties and advertising fund contributions by electronic fund transfer by the third business day of each week. For this purpose, the term “**Week**” means the period beginning with the start of business on Monday and ending at the close of business on the following Sunday (or, if the Restaurant is not open on a Sunday, the immediately preceding business day). We have the right to designate in writing any other period of not less than seven days to be a “Week” under the Franchise Agreement.

3. We require different kinds of advertising and promotional efforts depending upon where you will operate your Restaurant (for example, in a city, a suburban area, or in a resort community). At present, there are no Cooperative Ad Funds in our System. Further details about the applicable advertising and promotional requirements can be found in Item 11, under the subheading “Advertising.”
4. Interest starts to accrue when your payment was initially due. Interest rates will not exceed any maximum rate that may be imposed under applicable law.
5. This fee will be charged if you request that we provide, and we are able to provide, on-site training in addition to the initial and on-going assistance we are required to provide under the Franchise Agreement.

ITEM 7 **ESTIMATED INITIAL INVESTMENT**

Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Item	Estimated Amount/ (Low-High Range)	Method Of Payment	When Due	To Whom Paid
Initial Franchise Fee ⁽¹⁾	\$35,000	Lump sum	Upon signing Franchise Agreement	Us
Real property lease ⁽²⁾	\$4,500 to \$7,500	As Incurred	As agreed	Landlord or land owner
Leasehold Improvements ⁽³⁾	\$350,000 to \$450,000	As Incurred	Progress payments during construction (usually with the final 10% upon completion)	General Contractors

Item	Estimated Amount/ (Low-High Range)	Method Of Payment	When Due	To Whom Paid
Equipment ⁽⁴⁾	\$130,000 to \$175,000	Lump sum	Payment terms with suppliers	Suppliers
Architectural Design	\$18,000 to \$30,000	As incurred	As negotiated	Architect Design contractor
POS System	\$5,000 to \$10,000	As arranged	As arranged	Supplier
Opening Inventory and Supplies ⁽⁵⁾	\$9,500 to \$18,000	Lump sum	Payment terms with suppliers	Suppliers
Grand Opening Advertising ⁽⁶⁾	\$3,000 to \$5,000	As incurred	As incurred	Suppliers
Insurance ⁽⁷⁾	\$2,000 to \$5,000	As incurred	As incurred	Insurance Providers
Training ⁽⁸⁾	\$2,500 to \$5,000	As incurred	Payment terms with suppliers and employees	Suppliers and employees
Business Licenses and legal costs ⁽⁹⁾	\$1,000 to \$3,000	Lump sum	As incurred	Governmental authorities
Security Deposits ⁽¹⁰⁾	\$6,000 to \$12,000	As Arranged	As arranged	As Negotiated
Additional Funds ⁽¹¹⁾	\$-0- to \$-0-			
Total Estimated Initial Investment	\$556,500 to \$755,500			

Notes:

Please note that we do not offer direct or indirect financing to you for any items.

1. Initial Franchise Fee. This amount is discussed in detail in Item 5. The franchise fee must be paid when the Franchise Agreement is signed. As also discussed in Item 5, if you sign a Development Agreement, you will be required to pay us a Development Fee in an amount equal to \$17,500 for each Restaurant to be established under the Development Schedule. The chart does not reflect the payment of Development Fees. This payment is not refundable.

2. Lease/Rent. If you do not own a location for your Restaurant, you must purchase or lease a space. You will probably need to lease a space at least four months prior to opening; however, you may attempt to negotiate abatement from the landlord. Restaurant locations and sizes vary. We expect that Restaurants will typically be located in an area near shopping and other traffic generators, and the size may vary from 1,000 square feet to 2,500 square feet. These payments may be refundable if negotiated with the landlord.

Rent varies considerably from market to market, and from location to location within each market. The estimate provided assumes that you will pay a security deposit equal to one month's rent. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Restaurant, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Restaurant, you will incur additional costs that we cannot estimate.

3. Leasehold Improvements. You will need to construct improvements, or “build out,” the premises at which you will operate the Restaurant. Sometimes you will be converting an existing restaurant that you own or operate, or someone else operated, to a Local Fry Restaurant, but in most cases for an in-line or end cap space, you will be using premises in “vanilla box” condition (*e.g.*, without improvements). Costs are likely to vary, and may be much higher, if you already have or wish to establish your Restaurant in an area where special requirements of any kind (*e.g.*, historical, architectural, or preservation requirements) will apply. These payments are not refundable.

4. Equipment. The estimate is for the equipment you will need to operate the Restaurant, such as ovens, proofers, refrigeration, freezers, preparation lines, tables and chairs, and signs. Although you may already possess some of these items if you are converting an existing restaurant to a Local Fry Restaurant, you nevertheless be required to make these purchases in order to conform to our standards and specifications. You will need to obtain these items of equipment, fixtures, and other fixed assets from sources of your own choosing, so long as the items you purchase meet our specifications and are from approved or designated vendors (to the extent we have identified approved or designated vendors). The amount spent equipment, fixtures, trade fixtures, and other fixed assets will vary for each Restaurant depending upon the Restaurant’s size, style, and the volume of products to be offered in the Restaurant. You will pay suppliers for the audio-video package, equipment, fixtures, trade fixtures, and other fixed assets. These payments are not refundable.

The cost of signs will vary from location to location depending on lease requirements, ordinances and restrictions, traffic patterns, competition, and related factors. In addition, other considerations – such as zoning ordinances, as well as historical and architectural design standards – may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs). We will provide assistance to you in designing your signs; the final design must be submitted to us for our review and approval. You will pay your sign fabricator directly.

5. Inventory. Items of inventory which you are required to obtain from our designated sources of supply are paid for at standard prices and terms. All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up inventory of products and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the initial inventory, smallwares, uniforms and similar items. These payments are not refundable.

6. Grand Opening Advertising. We will assist you in tailoring a grand opening advertising program appropriate to your market. The estimate is for the initial promotion and advertising efforts you will need to make. These efforts must be completed within 90 days from the commencement of operations at the Restaurant. Additional details regarding the grand opening advertising program can be found in Item 11, under the subheading “Advertising.” These payments are not refundable.

7. Insurance. The estimate is for the annual premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and location of the Restaurant. You must obtain general liability insurance and product liability insurance with minimum limits of \$1 million per occurrence, and an umbrella liability policy with minimum limits of \$5 million per occurrence, which you will have to obtain through third parties, such as your own insurance agent. Your obligations with respect to insurance are more fully described in Item 8. These payments may be refundable if negotiated with the insurance company.

8. Training. For the initial training period, the “low” estimate assumes that you are located within commuting distance of our training facilities and that you do not incur *per diem* expenses. The “high” estimate assumes additional expenses, including travel, meals, auto and lodging. The cost you incur

will vary depending upon factors such as the distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, *per diem* expenses actually incurred, and the number of persons who will attend training. We have included the cost for up to 2 people. These payments are not refundable.

9. Business Licenses and related costs. This figure includes attorney fees that may be incurred in connection with review and assistance with various documents. These payments are not refundable.

10. Security Deposits. The figure is the estimated cost of telephone and utility deposits. These payments may be refundable.

11. Additional Funds. We do not anticipate that you will need additional capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months.

This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on what we have learned from the experiences of existing The Local Fry Restaurants.

Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Item	Estimated Cost	Method of Payment	When Due	To Whom Paid
Development Fee ⁽¹⁾	\$35,000	Lump Sum	On signing Development Agreement	Us
Working Capital Needs ⁽²⁾	\$3,000 – 5,000	As incurred	When incurred	Various vendors
Cost to open two Restaurants ⁽³⁾	\$1,133,000 - \$1,511,000	As incurred	When incurred	Various vendors
Total	\$1,171,000 to \$1,551,000			

⁽¹⁾ Upon signing the Development Agreement, you must pay to us the non-refundable development fee of \$17,500 per Restaurant to be developed as described in Item 5 of this disclosure document.

⁽²⁾ You will also need funds for working capital to pursue your obligations under the Development Agreement, but there are no other initial investments required at that time. These amounts are not refundable.

⁽³⁾ When you enter into the Development Agreement, you must establish at least two Restaurants. The figures here are assuming that you are developing 2 Restaurants. We are unable to estimate the extent of your working capital needs if you develop more than 2 Restaurants. An initial investment will be required for each Restaurant opened by you. Our estimate of each such investment is disclosed above in this Item.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To insure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- offer for sale only those Products for which we have given our written approval;
- sell or offer for sale all of the Products that we require;
- use the ingredients and employ only the preparation standards and techniques that we specify;
- not deviate from our standards and specifications, including our requirements concerning preparation, unless you have received our prior written consent; and
- stop selling and offering for sale any products or services that we have later disapproved.

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all products, ingredients, supplies, materials, and other products used or offered for sale at the Restaurant only from suppliers (including manufacturers, distributors, and other sources) that meet our specifications in the Manual and/or we have approved in writing. You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier who we approve, but later disapprove. As explained below, we have the right to designate only one supplier for certain items (such as distribution of products, soft drinks, etc.) in order to take advantage of marketplace efficiencies. Neither we nor any person affiliated with us are currently approved suppliers. None of our officers has an interest in any supplier.

If you want to buy any products or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge of \$1,000. Although there is no limit on the time we may take in evaluating a proposed new supplier, we typically will provide our approval or disapproval of a proposed supplier within 30 days of our receipt of all requested materials. We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including, for example, payment of continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

You must allow us or our agents, at any time, to remove samples of products offered in your Restaurant, without payment, in amounts necessary for testing by us or an independent laboratory to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Restaurant fails to conform to our specifications.

We estimate that your purchases from approved suppliers or according to our specifications will represent approximately 85% to 95% of your total purchases in establishing the Restaurant, and approximately 85% to 95% in the continuing operation of the Restaurant.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Restaurants in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Restaurants.

We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, “**Allowances**”) offered to us or to our affiliates by manufacturers, suppliers and distributors based upon your purchases of products and other goods and services. We have also negotiated arrangements with a distributor of equipment, supplies, inventory items, and certain food and beverage products to provide volume discounts and other incentives for purchasing items from or through this distributor. We do not currently receive any Allowances for your purchases of products and other goods and services.

We do not currently provide any material benefits to you based on your use of designated or approved suppliers. In 2025 we did not derive any revenue, rebates or other material consideration based on the required purchases or leases.

Insurance

Under the Franchise Agreement, you must obtain and maintain the following insurance:

- commercial general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than \$1,000,000 per occurrence;
- workers’ compensation insurance and employers’ liability insurance as required by the law of the state in which the Restaurant is located, including statutory workers’ compensation limits and employers’ liability limits of not less than \$1,000,000;
- business automobile insurance with a combined single bodily injury and property damage limit of \$1,000,000 per occurrence;
- commercial umbrella liability insurance with total liability limit of not less than \$5,000,000;
- liquor liability insurance in an amount not less than \$1,000,000; and
- all other insurance required by law, by the lease or sublease for the Restaurant, or by us as stated in the Manual.

Each insurance policy required under the Franchise Agreement must be issued by an issuer we approve, who must have a rating of at least “A” in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Restaurant is located. All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given sixty days’ prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

Computer Hardware, Software and POS Equipment

You must purchase computer hardware and software that meets our specifications and you must purchase your POS system from Toast or from another supplier we may approve.

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	Item(s) in Disclosure Document
a. Site selection and acquisition/lease	§1 in Franchise Agreement; Site Selection Addendum; §3.1 in Development Agreement	8 and 11
b. Pre-opening purchases/leases	§5 in Franchise Agreement; Site Selection Addendum; none in Development Agreement	5, 7, and 8
c. Site development and other pre-opening requirements	§§3.2, 3.3, 5.2, 5.3, 5.4, 5.5, and 10.8 in Franchise Agreement; Site Selection Addendum; §3.1 in Development Agreement	8 and 11
d. Initial and ongoing training	§§3.1, 5.5 and 13.4.8 in Franchise Agreement; none in Development Agreement	11
e. Opening	§§5.3 and 5.4 in Franchise Agreement; none in Development Agreement	11
f. Fees	§§4, 10.1, 10.3, and 13.4.9 in Franchise Agreement; §2.1 in Development Agreement	5 and 6
g. Compliance with standards and policies/Operating Manual	§§1.4, 3.4, 5, 7, and 9 in Franchise Agreement; §6.3 in Development Agreement	8, 11, and 14
h. Trademarks and proprietary information	§§1.1 and 6 in Franchise Agreement; §§1.4 and 1.5 in Development Agreement	13 and 14

Obligation	Section in Agreement	Item(s) in Disclosure Document
i. Restrictions on products/services offered	§§1.4, 5.1 and 5.11 in Franchise Agreement; none in Development Agreement	5, 8, and 16
j. Warranty and customer service requirements	§5.7 in Franchise Agreement; none in Development Agreement	16
k. Territorial development	§§1.2 and 1.3 in Franchise Agreement; §1 in Development Agreement	12
l. Ongoing product/service purchases	§5 in Franchise Agreement; none in Development Agreement	8
m. Maintenance, appearance and remodeling requirements	§§2.2.3, 5, and 13.4.5 in Franchise Agreement; none in Development Agreement	8
n. Insurance	§12 in Franchise Agreement; none in Development Agreement	7 and 8
o. Advertising	§§5 and 10 in Franchise Agreement; none in Development Agreement	6, 8, and 11
p. Indemnification	§18.4 and Ex. C in Franchise Agreement; §11 in Development Agreement	6
q. Owner's participation/management/staffing	§§5 and 16 in Franchise Agreement; §5.3.3 in Development Agreement	15
r. Records/reports	§§4.2, 5 and 9 in Franchise Agreement; §5.5 in Development Agreement	6
s. Inspection/audits	§§5 and 9 in Franchise Agreement; none in Development Agreement	6 and 11
t. Transfer	§13 in Franchise Agreement; §7 in Development Agreement	17
u. Renewal	§2.2 in Franchise Agreement; none in Development Agreement	17
v. Post-termination obligations	§15 in Franchise Agreement; §6.5 in Development Agreement	17
w. Non-competition covenants	§16 in Franchise Agreement; §8 in Development Agreement	17
x. Dispute resolution	§24 in Franchise Agreement; §15 in Development Agreement	17
y. Taxes/permits	§§5.2 and 17 in Franchise Agreement; §10 in Development Agreement	1

ITEM 10

FINANCING

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-opening Obligations

Before you open your Restaurant:

(1) We will provide to you and to your Highly Trained Personnel (defined below under the subheading "Training"), our standard initial training program at a location, and at the time(s), that we designate. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.1, 5.5)

(2) We will provide, at no charge to you, prototype plans and specifications for a Restaurant that may include minimum standards or other criteria for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. These plans and specifications will not include architectural, design, or construction plans or specifications for the building or building-out of a Restaurant, or for your specific Restaurant or location. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Section 3.2)

(3) We inspect and approve the Restaurant for opening before the initial opening. You may not start operation of your Restaurant until receiving our approval to do so. (Franchise Agreement, Section 3.8)

(4) We may provide a representative to be present at the Restaurant's initial opening. We will provide additional on-site pre-opening and opening supervision and assistance as we deem advisable to do so. (Franchise Agreement, Section 3.3)

(5) We will lend you, for the term of the Franchise Agreement, one copy of the Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.4) The Manual is available online.

(6) We will assist you in developing the Grand Opening Advertising Program (which is more fully described in Item 6 above, and in this Item 11 below); you will be responsible for the cost of this program. (Franchise Agreement, Section 3.7)

Continuing Obligations

(1) We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Section 5.5)

(2) We will give you periodic and continuing advisory assistance as to the operation and promotion of the Restaurant, as we deem advisable. (Franchise Agreement, Section 3.9)

(3) We will administer the Advertising Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 3.6)

Site Selection

If, at the time you sign the Franchise Agreement, you have not obtained an accepted location for the Restaurant, you must lease, sublease or acquire or obtain an option or letter of intent to lease, sublease or acquire a site for the Restaurant, subject to our acceptance under the Site Selection Addendum attached to the Franchise Agreement. You must submit a site report, in the form specified by us, for the proposed site within the Area that meets our standard site selection criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from other businesses within the Area, the proximity of competing businesses, the nature of other businesses in proximity to the site, and other commercial characteristics and the size, appearance, and other physical characteristics of the site. Under the terms of the Site Selection Addendum, you will have 90 days to acquire or lease, at your expense, commercial real estate that is properly zoned for the use of the Restaurant under the Franchise Agreement at a site accepted by us. If we do not accept a site within 90 days, we, at our option, may terminate the Franchise Agreement and we will not refund any portion of the Initial Franchise Fee if we terminate the Franchise Agreement. For Restaurants to be developed pursuant to a Development Agreement, we will provide you with our then-current criteria for site selection and will accept or decline the site you have selected for the location of the Restaurant. (Franchise Agreement, Section 3.1 and Site Selection Addendum).

You must submit to us, in the form we specify, a copy of the site plan and such other information or materials as we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining a site. We will have 15 days following receipt of such information and materials from you to accept or decline the proposed site for the location of the Restaurant. If we do not decline a proposed site by written notice to you within this 15-day period, such site will be deemed accepted.

Once accepted, the site for the Restaurant will be the “Accepted Location.” Within 60 days of our acceptance of the Accepted Location, you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our acceptance of any lease is conditioned upon inclusion in the lease of the Lease Rider, attached to the Franchise Agreement as Attachment G. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

We will perform any on-site evaluation as we may deem advisable in response to your requests for site acceptance; provided, however, that we are not required to provide on-site evaluation for any proposed site. If we deem it necessary to provide on-site evaluation for the establishment of a Restaurant, you must reimburse us for all expenses we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

We estimate that the time period between the signing of the Franchise Agreement and the start of operations at the Restaurant will be approximately 9 to 12 months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses (including the liquor license, a process which may be lengthy in some jurisdictions), construct or build-out facilities for the Restaurant, and obtain fixtures, equipment and supplies.

If you sign a Development Agreement, then, the selection and acceptance of a site that may become an Accepted Location under a Franchise Agreement entered into under the Development Agreement will be governed by the Development Agreement and our site review and acceptance procedures described in the Manual, rather than the Site Selection Addendum. In addition, the time frames and time limits described in the Development Schedule, and not those in the Site Selection Addendum, will apply to the opening of Restaurants under the Development Agreement. (Development Agreement, Section 3.2)

We do not typically own the premises where the Restaurant is located or lease the premises to you.

Training

Before your Restaurant opens, you (or, if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your principals who you designate to supervise the operation of the Restaurant, and who we have previously approved (the “Operating Partner”)), and at least one full-time manager (individually, the “Manager” and collectively, the “Managers”), must attend and successfully complete, to our satisfaction, the initial training program that we offer. For the purpose of the Franchise Agreement, the “Operating Partner” must be a person who has an ownership interest in Franchisee, and who has signed the Guarantee, Indemnification and Acknowledgement that is attached to the Franchise Agreement. Training must be completed at least 14 days prior to opening the Restaurant.

The Restaurant must be under the active full-time management of either you or the Operating Partner who successfully completed (to our satisfaction) our initial training program.

If any of you (or the Operating Partner), or the Managers (collectively, the “Highly Trained Personnel”) cease active management or employment at the Restaurant, then you must enroll a qualified replacement (who must be acceptable to us) in our training programs not more than 30 days after the end of the former person’s full-time employment or management responsibilities. The replacement must successfully complete the basic management training program, to our satisfaction, as soon as it is practical to do so.

We may require that any or all of the Highly Trained Personnel attend refresher courses, seminars, and other training programs periodically.

We will bear the cost of all training (instruction and required materials). You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker’s compensation insurance.

If you ask that we provide additional on-site training, and we are able to do so, then you will pay us our then-current per diem charges and out-of-pocket expenses. Our per diem charges will be specified in our Manual.

MANAGER TRAINING PROGRAM

Subject	Number of Hours of Classroom Training	Number of Hours of On-the-Job Training	Location
Prep	2	24	Certified Training Restaurant
Sauces	1	12	Certified Training

			Restaurant
Dish	0	12	Certified Training Restaurant
Fry	1	24	Certified Training Restaurant
Grill	1	12	Certified Training Restaurant
Finishing Line	1	24	Certified Training Restaurant
Expo	1	24	Certified Training Restaurant
Cashier	2	24	Certified Training Restaurant
Shadow Manager	0	30	Certified Training Restaurant
Manager Trial	0	60	Certified Training Restaurant
Administrative	1	4	Certified Training Restaurant
TOTALS	10	250	

Training will be conducted over a seven week period. Classroom training and On-the-Job training will be conducted at a Certified Training Location. Current Certified Training Locations are located at: Baltimore, Maryland. Training is conducted as frequently as we determine it necessary in order to hold a training class.

The training materials are contained in our Training Manuals. Our Director of Training is Elizabeth Irish. She has more than 20 years' experience working in the restaurant industry and 8 years' experience working with The Local Fry.

Advertising

As described in Item 6 above, for each Week during the term of the Franchise Agreement, you will be required to make an Advertising Contribution. The Advertising Contribution will be an amount up to 5% of the Adjusted Gross Sales of your Restaurant during the preceding Week.

The Advertising Contribution will be allocated among the National Marketing Fund, any Regional Marketing Fund or, in lieu of a Regional Marketing Fund, a Regional Co-op and Local Store Marketing (as described in more detail below). Following written notice to you, we may decrease, increase and reallocate your total marketing obligation. For example, Restaurants that operate in resort or vacation areas may need a different kind and volume of advertising than do Restaurants that operate in suburban areas or in cities.

The Advertising Fund

The Advertising Fund, and all contributions to and earnings from the Advertising Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. We will have the sole right to decide how the Advertising Fund creates, places, and pays for advertising. We (or our designee, which might be a corporate subsidiary or an advertising agency) will maintain and administer the Advertising Fund, as follows:

- (a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Advertising Fund.
- (b) The Advertising Fund, and all contributions to and earnings from the Advertising Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.
- (c) You must contribute to the Advertising Fund, by electronic fund transfer (EFT) if required, by the third business day of each Week. All sums you pay to the Advertising Fund will be maintained in an account separate from our other monies.
- (d) Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been spent for advertising or promotional purposes.

None of the amounts collected or held by the Advertising Fund will be used for advertising that is principally a solicitation for the sale of franchises. A statement of the Advertising Fund's operations, as shown on our books, will be prepared annually, and an accounting of that statement will be made available to you if you request it by either mailing or emailing a request to us. The Advertising Fund is not audited. You may request from us by mail or email how fees related to advertising are to be raised and spent. As described below, we are not required to spend any particular amount on advertising in the area where your Restaurant is located. As also described above, if amounts are unspent in the Advertising Fund at fiscal year-end, those amounts will be carried over by the Fund for expenditure in the following year(s). Our current policy is to have all The Local Fry Restaurants, including those currently existing (and operated by the affiliated entities described in Item 1), as well as any future The Local Fry Restaurants which we or other of our affiliated entities may in the future establish, contribute to the Advertising Fund on the same basis as is required of our franchisees; however, we are not obligated to do so and reserve the right to change that policy. Franchisees do not currently contribute to the fund; however, we may require the contribution of up to 2½% of the Adjusted Gross Sales of your Restaurant to the Ad Fund.

Cooperative Ad Fund

We will have the right, as we see fit, to establish a Cooperative Ad Fund for the geographic region in which your Restaurant is located. The purpose of a Cooperative Ad Fund is to conduct advertising campaigns for the Local Fry Restaurants located in that region.

If a Cooperative Ad Fund for your area was established before you began to operate your Restaurant, then when you open your Restaurant, you must immediately join that Cooperative Ad Fund. If a Cooperative Ad Fund for your area is established after you begin to operate your Restaurant, then you will have 30 days to join the new Cooperative Ad Fund. If we organize a Cooperative Ad Fund, the cooperative's governing documents will be available for your review. You will not be required to be a member of more than one Cooperative Ad Fund. The following provisions will apply to each Cooperative Ad Fund (if and when organized):

- (a) Cooperative Ad Funds will be established, organized, and governed (including but not limited to bylaws and other organic documents) in the form and manner that we have approved in advance, and will commence operations on a date that we have approved in advance. We will have the power to require that a Cooperative Ad Fund be formed, changed, dissolved, or merged. Unless otherwise specified by us, the activities carried on by each Cooperative Ad Fund will be decided by a majority of votes of its members. Any Restaurants that we (or our affiliates) operate under the System in the region shall have the same voting rights as those operated by franchisees. There will be one (1) vote for each Restaurant operating under the System within the geographic region of the Cooperative Ad Fund.
- (b) Cooperative Ad Funds will be organized for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.
- (c) Cooperative Ad Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below.
- (d) You must submit your required contribution to the Cooperative Ad Fund in the amount determined by the Cooperative Ad Fund and at the same time as your royalty payments (by the third business day of each Week, based on your Adjusted Gross Sales for the preceding week). At the same time, you will have to submit the reports that we or the Cooperative Ad Fund require. We may require you to submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Ad Fund be made to us for distribution to the Cooperative Ad Fund.
- (e) Although, if established, a Cooperative Ad Fund is intended to be of perpetual duration, we maintain the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund will not be terminated, however, until all monies in that Cooperative Ad Fund have been expended for advertising or promotional purposes.

If we or another The Local Fry Restaurant contributes to a Cooperative Ad Fund, we and/or they will have the same voting rights for such Restaurants as do our franchisees with respect to their Restaurants.

Local Advertising and Promotion

You will be required to spend at least 1% of annual Adjusted Gross Sales on local advertising and promotion. You may not use any advertising or promotional plans that we have not approved in writing.

We will periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local advertising and promotion. We have arranged for a third party to design, set up, and maintain an Internet website relating to The Local Fry Restaurants. Currently, you are provided with a web page and other information and references on our website regarding your Restaurant. You also have the use of email addresses. You may obtain additional website and email-related services from the third party administrator for an additional cost. At any time we may change the company that maintains our website, and we may change the website so that a web page may not be provided to you.

In addition to the Advertising Contribution, you must spend between \$3,000 and \$5,000 for the Restaurant's grand opening advertising program (the "Grand Opening Advertising Program"), according to our specifications for that program. You must complete the Grand Opening Advertising Program no later than 90 days after the Restaurant first opens for business. All materials used in the Grand Opening Advertising Program will be subject to our prior written approval, as described above. The Grand Opening Advertising Program is considered "local advertising and promotion" and is therefore subject to the restrictions described below. We will work with you to tailor your Grand Opening Advertising Program to your market. We reserve the right to require you to deposit with us the funds for the Grand Opening Advertising Program so that we may distribute the funds in connection with the Grand Opening Advertising Program.

You may not establish a Website, nor offer, promote, or sell any products or services, through the Internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate, including among other things a requirement that your only presence on the Internet will be through one or more web pages that we establish on our website.

Advertising Council

We do not have an advertising council.

Electronic Point-Of-Sale and Computer Systems

You must buy or lease a computer hardware and software point of sale (POS) system that is fully compatible with our computer system and that will include the information interface capability to communicate electronically with our Computer System. Currently, the designated POS system is developed by Toast. The cost of the Toast System ranges between \$7,000 and \$12,000 depending on the size of your restaurant.

We will have independent access to the information generated and stored on your POS equipment and your Computer System. There is no contractual limitation on our right to receive this information. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems, as well as the cash register system, into conformity with our then-current standards for new Restaurants. There are no contractual limits on the frequency or cost of your obligations to obtain such upgrades. The annual cost for maintenance and support of the POS system ranges from support contracted on a time and material basis to \$5,000 depending on the size of the installation and the type of service requested. We do not have any contractual obligation to maintain, repair, update or upgrade your Computer System.

Manuals

The table of contents of the Manual is attached to this Disclosure Document as Exhibit H. The Manual consists of a total of 42 pages.

ITEM 12 **TERRITORY**

Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. During the term of the Franchise Agreement, and except as otherwise provided in that agreement, you will be granted a protected territory in which you will have the exclusive right to own and operate your The Local Fry Restaurant. We will not establish or license anyone else to establish, another The Local Fry Restaurant at any location within the “Territory” that is designated in your Franchise Agreement (this would include current or future Licensed The Local Fry Restaurants discussed in Item 1 above). The Territory may be stated as a radius (of approximately 3 miles), a metes and bounds description around the Restaurant, or a group of zip codes. We will designate the Territory after you propose, and we accept, the Accepted Location. You may face competition from other channels of distribution or competitive brands that we own.

Neither we nor our affiliates are restricted from (i) soliciting or accepting orders from consumers inside your Territory, including using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Territory using our principal trademarks or (ii) using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within your Territory of products or services under trademarks different from the ones you will use under the Franchise Agreement. We are not required to pay you for soliciting or accepting orders from inside your Territory.

You may not relocate the Restaurant without our prior written approval. We will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to us and our affiliates, the proposed location meets our site selection criteria, and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect your proposed new location. You must pay us our costs due to your relocation.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your Territory through any method of distribution other than a Restaurant, including sales through such channels of distribution as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Territory and you will receive no compensation for our sales through alternative distribution channels.

You may offer and sell products only from the Restaurant, only according to the requirements of the Franchise Agreement and the Manuals, and only to retail customers for consumption on the Restaurant’s premises or for personal, carry-out consumption. You may not market or promote any products or services outside the Territory. You may not offer or sell products or services through any other means, including catering, satellite locations, temporary locations, carts, kiosks, or through any electronic media.

Under the Franchise Agreement, you will not acquire any options, rights of first refusal, or similar rights to acquire additional franchises within the Territory or any contiguous territories. If you default

under the Franchise Agreement, we reserve the right to undertake certain actions in lieu of termination of the Franchise Agreement, including modifying, or eliminating completely, the Territory.

Development Agreement

You will not receive a sole 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. Under the Development Agreement, and as described in Item 1, if you sign a Development Agreement, you will receive a protected territory (the “Development Area”) in which you must develop The Local Fry Restaurants. If you are in compliance with your obligations under the Development Agreement and all other Franchise Agreements between you and us, then you will retain the exclusive right to establish The Local Fry Restaurants within the Development Area, and we will not establish, nor license anyone other than you to establish, a The Local Fry Restaurant in the Development Area until the last date specified in the Development Schedule, except as otherwise provided below.

Neither we nor our affiliates are restricted from (i) soliciting or accepting orders from consumers inside your Development Area, including using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Development Area using our principal trademarks or (ii) using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within your Development Area of products or services under trademarks different from the ones you will use under the Development Agreement. We are not required to pay you for soliciting or accepting orders from inside your Development Area.

Under the Development Agreement, you will not acquire any options, rights of first refusal, or similar rights to acquire additional rights within the Development Area or any contiguous areas. If you fail to meet the Development Schedule, we have the right to terminate your Development Agreement. As a result, you will not have the right to develop additional Restaurants in the former Development Area, and we may establish or operate, or license others to establish or operate, new Restaurants or substantially similar businesses operating under the same or substantially similar trade name or marks in the former Development Area. If you are in default under the Development Agreement, we reserve the right to undertake certain actions in lieu of termination of the Development Agreement, including modifying or eliminating completely, the Development Area.

ITEM 13 **TRADEMARKS**

We grant you the right to use certain Proprietary Marks under the Franchise Agreement. Under a License Agreement with Elevin Group, Inc. dated March 9, 2023, we have the exclusive right to use and permit our franchisees to use the Marks (including the name and mark “The Local Fry™”). The term of the license agreement is 99 years; however, the license agreement may be terminated if we make an assignment of assets for the benefit of creditors, if a trustee is appointed to administer our business or if we are adjudged bankrupt.

Elevin Group, Inc. has applied for registration for (and has licensed to us), the following Proprietary Marks with the U.S. Patent and Trademark Office (the “USPTO”) on its Principal Register:

Name or Mark	Registration/ Serial Number	Registration/ Application Date
The Local Fry	97864256	March 30, 2023
The Local Fry	97864219	March 30, 2023

Name or Mark	Registration/ Serial Number	Registration/ Application Date
The Local Fry	97864194	March 30, 2023

We have filed with the USPTO all required affidavits of use and renewal applications.

We do not have a federal registration of our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally-registered trademark. If your right to use the trademark is challenged, you may have to change to an alternative trademark which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, any state trademark administrator or court, nor are there any pending infringement, opposition, or cancellation proceedings involving any of the Proprietary Marks. There is not any pending material federal or state litigation regarding our use or ownership rights in the Proprietary Marks. We do not know of any superior prior right or infringing uses that could materially affect your use of the principal trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of the Proprietary Marks listed in this section in a manner material to the franchise.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. You must immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark or any person's claim of any rights in any Proprietary Mark. We will have discretion to take any action we deem appropriate and the right to control exclusively any settlement, litigation, or administrative or other proceeding relating to any infringement, challenge or claim or otherwise relating to any Proprietary Mark. If you have used the Proprietary Marks as required under the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use of the Proprietary Marks. If you have not used the Proprietary Marks as required under the Franchise Agreement, we will defend you, at our expense, against any third party claims, suits, or demands involving your use of the Proprietary Marks. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Restaurant to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Restaurant. We do not have any pending patent applications.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of The Local Fry Restaurants, including the Manual, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Restaurant under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Restaurant that may be communicated to you or that you may learn by virtue of your operation of a Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Partner, and your Highly Trained Personnel to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached to the Franchise Agreement as Attachment H.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Manual. We will lend you one set of our Manual for the term of the Franchise Agreement.

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Restaurant, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always keep the Manual in a secure place at the Restaurant's premises.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

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

The Franchise Agreement does not require you to participate personally in the direct operation of the Restaurant, although we encourage and recommend active participation by you. We do, however, require that you or your Operating Partner devote full time, energy, and best efforts to the management of the Restaurant.

Each present and future: (i) shareholder with at least a 10% equity interest in you if you are a corporation; (ii) member with at least a 10% equity interest in you, and/or the managing member, if you are a limited liability company; or (iii) partner with at least a 10% equity interest in you, and/or the general partner, if you are a partnership or limited liability partnership; must jointly and severally guarantee your performance of each and every provision of the Franchise Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to the Franchise Agreement as Exhibit C, and/or the Development Agreement as Exhibit B, provided, that no guarantee will be required from a person who acquires your securities (other than a controlling interest) if and after you become registered under the Securities Exchange Act of 1934. If a franchisee's spouse does not own at least a 10% equity interest, the spouse is not required to sign a personal guarantee. If a franchisee's spouse owns a 10% or more equity interest, the spouse must jointly and severally guarantee your performance of each and every provision of the Franchise Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to the Franchise Agreement as Exhibit C, and/or the Development Agreement as Exhibit B.

You or your Operating Partner must supervise the operation of the Restaurant, and you and he/she must be approved by us. The Restaurant Manager must also be approved by us. All persons that serve in the positions of Highly Trained Personnel must be approved by us and must attend and successfully complete our initial training program which is described in Item 11 of this Disclosure Document. Our approval will be based on whether the proposed Highly Trained Personnel have a good business reputation, are not competitors of ours, and whether they can successfully complete our training program. After the initial Highly Trained Personnel, any replacements will also be subject to our reasonable approval, and are required to successfully complete our training programs. We require your principals (including the Operating Partner), supervisors and managers to sign a non-disclosure and non-competition agreement, the

form of which is attached to the Franchise Agreement as Attachment H. We do not impose any other restrictions on your managers. If you are a business entity, we do not require the on-premises supervisor or manager to have any ownership in your business.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that conform to our standards and specifications (which are described in Item 8 above). We have the right, without limit, to change the types of authorized products and services.

You may only offer and sell products to retail customers for consumption on the Restaurant's premises, for personal carry-out consumption, in a manner that complies with our standards. All sales will be counted in "Adjusted Gross Sales."

The Accepted Location for the Restaurant will be specified in the Franchise Agreement. You may not relocate the Restaurant without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The table lists important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision		Section in Agreement	Summary
a.	Length of the franchise term	§2.1 of Franchise Agreement; §4 in Development Agreement	20 years in Franchise Agreement; varies in Development Agreement
b.	Renewal or extension of the term	§2.2 of Franchise Agreement; §2.3 of Development Agreement	Two additional 5-year terms in Franchise Agreement; for Development Agreement, you have no right to renew the term. At your request and in our sole discretion, we may extend the Development Schedule in full-month increments.

Provision	Section in Agreement	Summary
c. Requirements for you to renew or extend	§§2.2.1 - 2.2.8 of Franchise Agreement; §2.3 of Development Agreement	For Franchise Agreement, notice, release us, satisfaction of monetary obligations, compliance with Franchise Agreement, release, sign new Franchise Agreement, and others. By use of the term “renewal,” we mean the continuation of your franchise relationship under potentially vastly different terms. You may be asked to sign a contract with materially different terms and conditions from your original contract with different boundaries of the Territory and different Royalty Fees. For Development Schedule extensions only, you must request an extension 14 calendar days before the deadline date, provide the number of full months of extensions requested and pay us an extension fee.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 14 of Franchise Agreement; §6 in Development Agreement	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. A termination of the Development Agreement does not permit us to terminate your Franchise Agreement; however, a termination of the Franchise Agreement does permit the termination of the Development Agreement. The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.
g. “Cause” defined – curable defaults	§ 14.3 of Franchise Agreement; §6.3 in Development Agreement	All other defaults not specified in §§14.1 and 14.2 of the Franchise Agreement and §§6.1 and 6.2 of the Development Agreement. A termination of the Development Agreement does not permit us to terminate your Franchise Agreement; however, a termination of the Franchise Agreement does permit the termination of the Development Agreement.

Provision	Section in Agreement	Summary
h. “Cause” defined - non-curable defaults	§§14.1 and 14.2 of Franchise Agreement; §§6.1 and 6.2 in Development Agreement	Bankruptcy, abandonment, conviction of felony, and others (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) A termination of the Development Agreement does not permit us to terminate your Franchise Agreement; however, a termination of the Franchise Agreement does permit the termination of the Development Agreement.
i. Your obligations on termination/nonrenewal	§15 of Franchise Agreement; §6.5 in Development Agreement	Cease operating Restaurant, payment of amounts due, and others.
j. Assignment of contract by us	§13.1 of Franchise Agreement; §7.1 in Development Agreement	There are no limits on our right to assign the Franchise Agreement.
k. “Transfer” by you - defined	§§13.3.1 - 13.3.4 of Franchise Agreement; §§7.3.1 – 7.3.4 in Development Agreement	Includes transfer of any interest.
l. Our approval of transfer by you	§13.4 of Franchise Agreement; §7.4 in Development Agreement	We have the right to approve transfers.
m. Conditions for our approval of transfer	§13.4 of Franchise Agreement; §7.4 in Development Agreement	Release, signature of new Franchise Agreement, release us payment of transfer fee, and others.
n. Our right of first refusal to acquire your business	§13.5 of Franchise Agreement; §7.5 in Development Agreement	We can match any offer.
o. Our option to purchase your business	§15.9 of Franchise Agreement; none in Development Agreement	We have the option, within 30 days of termination or default, to purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p. Your death or disability	§§13.6, 13.7 and 13.8 of Franchise Agreement; §§7.6, 7.7 and 7.8 in Development Agreement	Your estate must transfer your interest in the Franchised Business to a third party we have approved, within a year after death or six months after the onset of disability.
q. Non-competition covenants during the term of the franchise	§§16.2 and 16.3 of Franchise Agreement; §§8.2 and 8.3 in Development Agreement	Includes prohibition on engaging in any restaurant or sports bar business which is the same or similar to the Restaurant and others.

Provision		Section in Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	§16.3 of Franchise Agreement; §8.3 in Development Agreement	Includes a two year prohibition similar to “q” (above), within 15 miles of the Accepted Location, any other Restaurant then-operating under the System, or, under the Development Agreement, in or within 15 miles of the Development Area.
s.	Modification of the agreement	§22 of Franchise Agreement; §13 in Development Agreement	Must be in writing signed by both parties.
t.	Integration/merger clause	§22 of Franchise Agreement; §13 in Development Agreement	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. Notwithstanding the foregoing, nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	§24.3 of Franchise Agreement; §15.3 in Development Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief).
v.	Choice of forum	§24.2 of Franchise Agreement; §15.2 in Development Agreement	If we ever litigate, you must do so in the state and judicial district where we maintain our principal place of business, currently, Columbia, Maryland (subject to applicable state law).
w.	Choice of law	§24.1 of Franchise Agreement; §15.1 in Development Agreement	Maryland (subject to applicable state law)

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Kevin Irish, 711 W. 40th St., Ste 152, Baltimore, Maryland 21211, telephone 443-528-7077, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Changes
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	1	1
Company-Owned	2023	1	1	0
	2024	1	1	0
	2025	1	1	0
Total Outlets	2023	1	1	0
	2024	1	1	0
	2025	1	2	1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for Years 2023 to 2025

State	Year	Number of Transfers
Maryland	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table No. 3
Status of Franchised Outlets
For Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
Maryland	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
New Jersey	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Totals	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1

Table No. 4
Status of Company-Owned Outlets ⁽¹⁾
For Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets sold to Franchisees	Outlets at the End of the Year
Maryland	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Totals	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

Table No. 5
Projected Openings as of December 31, 2025

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
Colorado	0	1	0
Florida	0	1	0
Georgia	0	1	0
Kentucky	0	1	0
Maryland	1	1	0

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
Texas	0	1	0
New Jersey	1	1	0
Total	2	5	0

Notes:

- (1) Our fiscal year end is December 31.
- (2) States not listed had no Restaurants during 2023-2025.
- (3) If multiple events occurred affecting any Restaurant, the table shows the event that occurred last in time.

The names, addresses, and telephone numbers of our current franchisees are listed in Exhibit E. Included in the Exhibit E is every franchisee who does not yet have a restaurant that is operational.

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has been terminated before the franchise became operational:

None

During the last three fiscal years, other than the non-disclosure provisions contained in the Franchise Agreement, we have not signed any confidentiality clauses with any current or former franchisees. The non-disclosure provisions in the Franchise Agreement generally refer to recipes and operating procedures. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We do not know of any trademark-specific franchisee organization associated with the franchise system being offered.

ITEM 21 **FINANCIAL STATEMENTS**

Our fiscal year end is December 31. Attached to this Disclosure Document as Exhibit G are the following financial statements:

1. Our financial statements (including balance sheet as of December 31, 2025 and December 31, 2024, and statement of operations, changes in stockholder's equity, and cash flows, for the years ended

December 31, 2025, December 31, 2024, and December 31, 2023, all of which have been audited by an independent auditor using auditing standards generally accepted in the United States of America).

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document in the following order:

1. Franchise Agreement (Exhibit A).
2. Area Development Agreement (Exhibit B)
3. Form of General Release (Exhibit K).

ITEM 23
RECEIPT

The last two pages of this Disclosure Document (Exhibit L) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

Exhibit A

FRANCHISE AGREEMENT



THE LOCAL FRY

FRANCHISE AGREEMENT

Franchisee Name

Franchise Location

Date of Agreement

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Exhibits:

- A Accepted Location and Territory
- B Site Selection Addendum
- C Guarantee, Indemnification and Acknowledgement
- D List of Principals
- E EFT Authorization Form
- F ADA Certification
- G Lease Rider
- H Non-Disclosure and Non-Competition Agreement
- I Total Marketing Obligation

THE LOCAL FRY FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into on this _____ day of _____, 20__ (the “**Effective Date**”), by and between:

- TLF HOLDINGS INC., a Maryland corporation whose principal place of business is 711 W. 40th Street, Suite 152, Baltimore, Maryland 21211 (“**Franchisor**”); and
- _____, [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Franchisee**”).

BACKGROUND:

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of restaurants operating in buildings that bear Franchisor’s interior and exterior trade dress, under the “The Local Fry” name and marks, which provide eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other such additional products as Franchisor may designate from time to time for on-premises and carry-out consumption (the “**The Local Fry Restaurants**”);

B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design and accessories, products, and procedures for operations; specially developed equipment, equipment layouts, and signage; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “The Local Fry”, and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System (the “**Proprietary Marks**”);

D. Franchisor continues to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance, and service;

E. Franchisee desires to enter into the business of operating a The Local Fry Restaurant under the System, wishes to utilize the Proprietary Marks and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

F. Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. GRANT

1.1. Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee the right and franchise, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) The Local Fry Restaurant under the System (the "**Restaurant**"); (b) to use, only in connection with the Restaurant, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only at the location specified in Exhibit A (the "**Accepted Location**"). If, at the time of execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and accepted by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Restaurant, subject to Franchisor's acceptance in accordance with the Site Selection Addendum attached as Exhibit B (the "**Site Selection Addendum**"). Franchisee shall not relocate the Restaurant without Franchisor's prior written consent. Franchisor shall have the right to grant or withhold acceptance of the Accepted Location under this Section 1.1, and if acceptance is granted, such acceptance shall not be deemed to be a guarantee, representation, or assurance by Franchisor that Franchisee's Restaurant at the Accepted Location shall be profitable or successful. In connection with Franchisor's consent to the Accepted Location, Franchisee shall execute, and cause the landlord to execute, the Lease Rider appended hereto as Exhibit G.

1.2. Territory. During the term of this Agreement, Franchisor shall not establish, nor license any other person to establish, another The Local Fry Restaurant at any location within the geographic area (the "**Territory**") defined in Exhibit A, except as otherwise provided in this Agreement. If the Accepted Location and Territory have not been determined at the time of execution of this Agreement, the Territory shall be determined in accordance with the Site Selection Addendum. Franchisor retains all other rights, and may, among other things, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.2.1. to establish, and license others to establish, The Local Fry Restaurants at any location outside the Territory notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales at Franchisee's Restaurant;

1.2.2. to establish, and license others to establish, The Local Fry Restaurants at any institutional or captive audience facilities, including, without limitation, military bases, public transportation facilities, government offices or institutions, educational institutions, health care facilities, toll road or highway rest stops, parks, stadiums, malls, museums, art centers, contract or institutional food service operators, in theaters, warehouse clubs, theme parks, amusement centers,

truck stops, or casinos (“**Institutional Facilities**”) within or outside the Territory, notwithstanding such The Local Fry Restaurants’ proximity to the Accepted Location or their actual or threatened impact on sales at Franchisee’s Restaurant;

1.2.3. to establish, acquire or operate, or license others to establish and operate, restaurants or stores under other systems or other proprietary marks, which restaurants or stores may offer or sell products or services that are the same as, similar to, or different from the products and services offered from the Restaurant, and which restaurants or stores may be located within or outside the Territory, notwithstanding such stores’ proximity to the Accepted Location or their actual or threatened impact on sales at Franchisee’s Restaurant; and

1.2.4. to sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products, services or merchandise, from any location or to any purchaser (including, but not limited, to sales made at retail locations, supermarkets, gourmet shops, mail order, and on the Internet), so long as such sales are not conducted from a The Local Fry Restaurant operated from a location inside the Territory (excluding an Institutional Facility).

1.3. Institutional Facilities. If Franchisee is granted the right to establish and operate a Restaurant within an Institutional Facility, Franchisor reserves the right, in its sole discretion, to determine the size and extent of Franchisee’s Territory within such Institutional Facility.

1.4. Sale of Products and Services. Unless otherwise permitted by Franchisor, Franchisee shall offer and sell products only from the Restaurant, only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals, and only to retail customers for consumption on the Restaurant’s premises or for personal, carry-out consumption. Franchisee shall not market or promote any products or services outside the Territory. Except as provided below, Franchisee shall not offer or sell products or services authorized under this Agreement through any other means, including without limitation through catering, satellite locations, temporary locations, carts or kiosks, or through any electronic media (such as the Internet, social media and networking sites and mobile applications including online ordering applications of an “Aggregator” as defined below in this Section 1.4), telephone sales and/or direct mail. Except as provided below, Franchisee will not give, sell or otherwise provide food and/or beverage items to any third party for the purposes of delivering, selling or reselling such items. An “Aggregator” means a third-party aggregator (including, as an example and without limitation, DoorDash, UberEats, or Grubhub) or a third-party logistics provider (including, as an example and without limitation, Postmates or Amazon).

1.5 Franchisor may require Franchisee to offer delivery, take-out and catering services to customers located within a geographic area around the Restaurant as designated in writing by Franchisor (“Designated Area”) and in accordance with its standards. Franchisee acknowledges that such standards may contain terms for Franchisee’s resolution of customer service-related issues.

1.6 Franchisee acknowledges that Franchisor or Franchisor’s affiliate owns, maintains and otherwise participates in an Online Ordering Site for Restaurants operated by Franchisor or

Franchisor's affiliates. Franchisee must request and receive Franchisor's prior written approval in order to have the right to offer and sell food and beverage items for take-out or catering from the Restaurant or by delivery through Franchisor's, Franchisee's or any third-party supplier of delivery services, including through any Online Ordering Site (defined in this Section 1.6 below) owned or maintained by (i) Franchisor or its affiliate; (ii) Franchisee or Franchisee's affiliate or (iii) an Aggregator. All revenue from delivery, take-out, or catering sales will be deemed part of gross sales inclusive of any ordering, delivery, or transaction fees. "Online Ordering Site" means one or more related documents, designs, pages or other communications that can be accessed through electronic means including, but not limited to, the Internet, World Wide Web webpages, microsites, social networking sites, blogs, vlogs, and applications to be installed on mobile devices including online ordering and delivery applications for food and beverage items offered by Franchisor, Franchisee or an Aggregator to any customer.

a. If Franchisor grants Franchisee the right to own or maintain an Online Ordering Site or the right to participate in an Aggregator's Online Ordering Site, such activity will be deemed to constitute "marketing" for the purposes of this Agreement. All provisions of this Agreement applicable to the Franchisor's Marks, quality of foodservice, food and beverage items, advertising and marketing will apply to the Franchisee's ownership, use of or participation in an Online Ordering Site.

b. Franchisee will submit to Franchisor for prior written approval a sample of the proposed Online Ordering Site name, domain name, format, visible content (including, without limitation, screen shots) and non-visible content including but not limited to meta tags, in the form and manner Franchisor requires. No modifications by Franchisee or its affiliate of the Online Ordering Site may be made without Franchisor's prior written approval of such proposed use or modification.

c. Franchisee will comply with the standards applicable to its or any other Online Ordering Sites that Franchisor may prescribe in the Manuals or otherwise in writing including but not limited to requirements pertaining to Franchisee's compliance with any terms and conditions negotiated by Franchisor with any Aggregator and designating Franchisor as the sole or co-administrator of Franchisee's or its affiliate's Online Ordering Site.

d. If Franchisor requires, Franchisee will establish such links to Franchisor's Online Ordering Site and others as requested in writing.

e. If Franchisor requests, Franchisee will make weekly or other periodic updates to Franchisor's Online Ordering Site to reflect information about the food and beverage items offered at the Restaurant.

f. Franchisor may require Franchisee to make Franchisor the sole administrator or co-administrator of any social networking pages that Franchisee maintains or that are maintained on Franchisee's behalf and Franchisor will have the right, but not the obligation, to exercise all rights and privileges that an administrator may exercise.

g. All Customer Data obtained by, through, or from an Online Ordering Site owned or maintained by Franchisee or Franchisee's affiliate (or for the benefit of Franchisee) is the sole property of Franchisor unless otherwise approved in writing by Franchisor.

h. Any Aggregator must be approved by Franchisor as an approved supplier in accordance with Section 5.11.

i. Any contract between Franchisee and any Aggregator must comply with Franchisor's standards for an Online Ordering Site, including the foregoing provisions.

Any delivery or catering services may, at Franchisor's sole option, be restricted to customers located in the Designated Area. For the avoidance of doubt, Franchisor, at Franchisor's sole option, may authorize Franchisee to perform delivery or catering services to customers located outside the Designated Area and may authorize restaurants located outside the Designated Area, including restaurants operated by Franchisor, Franchisor's affiliates, or other franchisees, to perform delivery or catering services to customers located within the Designated Area.

2. TERM AND RENEWAL

2.1. Term. Except as otherwise provided herein, the initial term of this Agreement shall expire ten (10) years from the Effective Date, unless sooner terminated in accordance with the provisions hereof.

2.2. Renewal. Franchisee may, at its option, renew Franchisee's right to operate the Restaurant for two (2) additional terms, of five (5) years each, subject to the following conditions, each of which must be met prior to each renewal:

2.2.1. Franchisee shall present evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Restaurant for the duration of the renewal term, or shall obtain acceptance by Franchisor of a new location for the Restaurant for the duration of the renewal term;

2.2.2. Franchisee shall give Franchisor written notice of Franchisee's election to renew no fewer than six (6) months nor more than twelve (12) months prior to the end of the initial term and first (1st) renewal term;

2.2.3. Franchisee shall remodel and refurbish the Restaurant to comply with the Franchisor's then-current standards in effect for new The Local Fry Restaurants;

2.2.4. Franchisee shall not be in default of any provision of this Agreement, any amendment to this Agreement, any successor to this Agreement, or any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.5. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates, and to the Advertising Fund (defined below), and shall have timely met those obligations throughout the term of this Agreement;

2.2.6. Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including, without limitation, a higher percentage royalty fee and advertising contribution, and a different or modified Territory;

2.2.7. Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents, and employees;

2.2.8. Franchisee and its personnel shall comply with Franchisor's then-current qualification and training requirements; and

2.2.9. Franchisee shall pay Franchisor a renewal fee in the amount of fifty percent (50%) of the then-current franchise fee for the first Renewal Term.

3. FRANCHISOR'S DUTIES

3.1. Initial and On-Going Assistance. Prior to the equipment installation, final inspections and hiring of employees and the date of opening of the Restaurant, Franchisor shall provide to Franchisee, and to Franchisee's Highly Trained Personnel (as defined in Section 5.5.1 below), such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. As part of the initial training program, Franchisor shall provide Franchisee with a maximum of ten (10) days on-site assistance at the Restaurant during the opening of the Restaurant. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisor shall be responsible for the cost of instruction and materials (except as set forth in Section 5.5.3 below), subject to the terms set forth in Sections 5.5 and 5.6 below.

3.2. Development of the Restaurant. Franchisor shall make available, at no charge to Franchisee, prototype plans and specifications for a Restaurant that may include minimum standards or other criteria for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs, but shall not include architectural, design, or construction plans or specifications for building or building-out of a Restaurant or for Franchisee's specific Restaurant or Accepted Location. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation

necessary to obtain permits or authorization to build a specific Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Restaurant location, subject to Franchisor's approval, as provided in Section 5.2.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype plans and specifications as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Restaurant developed pursuant to this Agreement once those prototype plans and specifications have been given to Franchisee).

3.3. Opening Assistance. Except as provided in Section 3.1 above, Franchisor shall have the right (but not the obligation) to have a representative present at the opening of the Restaurant. Franchisor will provide such additional on-site pre-opening and opening supervision and assistance as Franchisor deems advisable.

3.4. Manuals. Franchisor shall provide Franchisee, on loan, one (1) copy of the confidential operations manuals (the "**Manuals**"), as more fully described in Section 7 below.

3.5. Advertising and Promotion. Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 10 below.

3.6. Advertising Fund. Franchisor shall administer the Advertising Fund in the manner set forth in Section 10 below.

3.7. Grand Opening Advertising Program. Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 10.8 below), which program shall be conducted at Franchisee's expense.

3.8. Inspection. Franchisor shall inspect the Restaurant prior to the opening of the Restaurant. Franchisee shall not commence operation of the Restaurant without Franchisor's prior written approval.

3.9. On-Going Assistance. Franchisor will provide periodic assistance to Franchisee in the marketing, management, and operation of the Restaurant as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.10. Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

4. ROYALTY FEES; SALES REPORTING

4.1. Initial Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) (the "**Initial Franchise Fee**"). The Initial Franchise Fee

shall be paid in full upon the execution of this Agreement. Payment of the Initial Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.2. Royalty Fees. For each Week during the term of this Agreement, Franchisee shall: (a) pay Franchisor a continuing royalty fee in an amount equal to six percent (6%) of the Adjusted Gross Sales of the Restaurant ("**Royalty Fees**"); and (b) report to Franchisor in writing (or electronically) its Adjusted Gross Sales (a "**Sales Report**"). As used in this Agreement, the following terms shall have the following meanings:

4.2.1 The term "**Adjusted Gross Sales**" means all revenue from the sale of all products, including all food and beverage products, all merchandise, all other products or services offered at or from the Restaurant, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, including revenue from door cover charges, amusement games, games of chance, ATMs, and proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Adjusted Gross Sales" excludes any customer refunds, coupon sales, employee meal allowances greater than the revenue actually received, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities. The specific rules and requirements for calculating and determining Adjusted Gross Sales, including accounting and recording policies, shall be set forth in the Manuals. The rules, requirements, and policies may be changed by Franchisor from time to time, and Franchisee shall comply with all such rules, requirements, and policies.

4.2.2 The term "**Week**" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Restaurant is not open on a Sunday, the immediately preceding business day); however, Franchisor shall have the right to designate in writing any other period of not less than seven days to constitute a "Week" under this Agreement.

4.3. Alternative Royalty Fees and Other Payments. If a state or local law in which the Restaurant is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect Royalty Fees or other amounts based on Adjusted Gross Sales derived from the sale of alcoholic beverages at the Restaurant, then Franchisor and Franchisee will renegotiate the Royalty Fees and other provisions to provide the same basic economic effect to both Franchisor and Franchisee as otherwise provided in this Agreement, with a corresponding change to the definition of Adjusted Gross Sales.

4.4. Payments. All payments required by Section 4.2 above and Section 10 below based on the Adjusted Gross Sales for the preceding Week, and the Sales Report required by Section 4.2 for the Adjusted Gross Sales for the preceding Week, shall be paid and submitted so as to be received by Franchisor by the third business day of each Week. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 9.3

below, at the time and in the format reasonably requested by Franchisor. If requested by Franchisor, Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 4 or 10. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit E, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals. If Franchisee makes any payments to Franchisor under this Agreement by check, and such check is returned to Franchisee without having made payment to Franchisor, then Franchisor shall have the right to charge Franchisee a fee of One Hundred Dollars (\$100) for each such returned check. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of Royalty Fees and Advertising Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee's generation of Adjusted Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the Advertising Fund, or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including without limitation Royalty Fees or Advertising Contributions, nor withhold or delay submission of any reports due hereunder including but not limited to Sales Reports.

4.5. No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalty fee and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

4.6. Overdue Payments. Any payment or report not actually received by Franchisor (or the appropriate advertising fund) on or before such date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.7. Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

5. FRANCHISEE'S DUTIES

5.1. System Standards. Franchisee understands and acknowledges that every detail of the Restaurant is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Franchisor's reputation and goodwill. Therefore, at all times during the Term, Franchisee agrees to operate and maintain the Restaurant in accordance with each and every

System standard, as the Franchisor periodically modifies and supplements them during the Term. System standards may be defined in this Franchise Agreement or the Manual.

Franchisee acknowledges the importance of operating the Restaurant in accordance with the System, including the Manual, that any deviation from the requirements of the System will damage the System and Franchisor's goodwill, and that these damages would be very difficult to quantify. Accordingly, Franchisee agrees that if Franchisee continues to deviate from the Manual or System standards after having been given notice by Franchisor of any of those (in each case in reasonable details as to identify the nature of the deviation and the required action and time during which to effect cure), or other deviations, Franchisee will pay Franchisor the following amounts as liquidated damages:

Second violation during a consecutive 12-month period:	\$1,000
Third violation during a consecutive 12-month period:	\$2,000
Each additional violation during a consecutive 12-month period:	\$4,000

These damages will be paid to Franchisor within five (5) days of Franchisor giving Franchisee notice that Franchisee has failed to cure the violation within the time allotted and the amount due. Franchisor does not have to exercise this right to impose liquidated damages and may seek any other remedies available to us, including termination of this Agreement (following written notice as more fully described in Section 15 hereunder), even if Franchisor has imposed liquidated damages previously for other violations.

5.2. Pre-Opening Obligations. Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is reasonably acceptable to Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Restaurant based upon prototype design and image specifications furnished by Franchisor in the Manuals, and as may otherwise be authorized by Franchisor due to the particularities of the site of the Accepted Location. Franchisor's approval shall be limited to conformance with Franchisor's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant. If Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee agrees that it shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Restaurants. Franchisor shall not review nor shall any approval be deemed to include Franchisee's compliance with federal, state, or local laws and regulations, including the ADA, and Franchisee acknowledges and agrees that compliance with such laws is and shall be Franchisee's sole responsibility. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Restaurant for business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.2.5 Franchisee shall employ a qualified licensed general contractor who is reasonably acceptable to Franchisor to construct the Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 12 below; and Franchisee shall deliver to Franchisor such proof of such insurance as Franchisor shall require.

5.3. Development of the Restaurant. Franchisee shall construct, furnish, and open the Restaurant according to the requirements contained herein, and Franchisee shall open the Restaurant not later than three hundred sixty-five (365) days from the Effective Date. Time is of the essence. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the Grand Opening Advertising Program), the Manuals, and/or elsewhere in writing by Franchisor. Within thirty (30) days of the opening of the Restaurant, Franchisee shall provide to Franchisor a full breakdown of all costs associated with the development and construction of the Restaurant in such form as Franchisor may reasonably require. Additionally, prior to opening the Restaurant, and after any renovation, Franchisee shall execute and deliver to Franchisor an ADA Certification in the form attached to this Agreement as Exhibit F, to certify to Franchisor that the Restaurant and any proposed renovations comply with the ADA.

5.4. Restaurant Opening. In connection with the opening of the Restaurant:

5.4.1 Franchisee shall conduct, at Franchisee's expense, such grand opening promotional and advertising activities as Franchisor may require, as set forth in Section 10 below.

5.4.2 Franchisee shall provide at least fourteen (14) days' prior notice to Franchisor of the date on which Franchisee proposes to first open the Restaurant for business. Franchisor reserves the right to require the on-site presence of a representative of Franchisor at the opening of the Restaurant, and if so required, the Restaurant may not open without such representative in attendance; provided, however, that such requirement will not unreasonably delay the opening of the Restaurant.

5.4.3 Franchisee shall not open the Restaurant until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited, to materials, quality of work, signage, decor, paint, and equipment, and Franchisor has given written Franchisee approval to open, which approval shall not be unreasonably withheld.

5.4.4 Franchisee shall not open the Restaurant until the Operating Partner and/or Restaurant Manager (as defined in Section 5.5) have successfully completed all training required by Franchisor, and Franchisee has hired and trained to Franchisor's standards a sufficient number of employees to service the anticipated level of the Restaurant's customers.

5.4.5 In addition, Franchisee shall not open the Restaurant until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.5. Training. Prior to the opening of the Restaurant, Franchisee (or, if Franchisee is a corporation, partnership, limited liability company, or limited liability partnership, one of Franchisee's principals who is designated to supervise the operation of the Restaurant and who has been previously approved by Franchisor (the "**Operating Partner**")), and at least one full-time manager (individually, the "**Manager**" and collectively, the "**Managers**") shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor, pursuant to Section 3.1 above. The Restaurant shall also be under the active full-time management of either Franchisee or the Operating Partner who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program. For the purposes of this Section 5.5, the Operating Partner must be a person who has an ownership interest in Franchisee, and who has executed the Guarantee, Indemnification and Acknowledgement appended to this Agreement as Exhibit C.

5.5.1 If Franchisee (or the Operating Partner) or the Managers (collectively, the "**Highly Trained Personnel**") cease active management or employment at the Restaurant, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in Franchisor's training programs not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall successfully complete the basic management training program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so.

5.5.2 The Highly Trained Personnel may also be required to attend such refresher courses, seminars, and other training programs as Franchisor may reasonably specify from time to time, including up to five (5) days of refresher programs each year during the term of the

Agreement. In addition, Franchisee or such of the Highly Trained Personnel as Franchisor may require, may be required to attend Franchisor's annual convention for up to three (3) days per year.

5.5.3 The cost of all training (instruction and required materials) shall be borne by Franchisor. All other expenses incurred in connection with training and, if required, attendance at Franchisor's annual convention, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

5.5.4 If Franchisee requests that Franchisor provide on-site training in addition to that described in Section 3.1 above, and Franchisor is able to do so, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

5.6 Restaurant Premises. Franchisee shall use the Restaurant premises solely for the operation of the Restaurant; shall keep the Restaurant open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the Restaurant premises for any other purpose or activity at any time. As used in this Section 5.6, the term "premises" shall include the grounds surrounding the Restaurant.

5.7 Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) manager on duty at all times and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe. Franchisor shall have the right to require Franchisee to employ one or more district managers (who shall be individuals reasonably acceptable to Franchisor) to supervise the day to day operations of Franchisee's stores, if Franchisee (and/or an affiliate of Franchisee) operates two or more Restaurants. Any such district managers shall be required to attend and successfully complete the training course specified in Section 5.5 above.

5.8 Health Standards. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Restaurant.

5.9 Restaurant Maintenance. Franchisee shall at all times maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

5.10 Standards and Specifications. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such

methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.10.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, ingredients, materials, supplies, and paper goods as conform to Franchisor's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Franchisor's specific prior written consent.

5.10.2 To sell or offer for sale only such products as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all such products, utilizing the ingredients and employing the preparation standards and techniques, as specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications, including manner of preparation of products, without Franchisor's prior written consent; and to discontinue selling and offering for sale any products which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee deviates or proposes to deviate from Franchisor's standards and specifications, whether or not such deviation is approved by Franchisor, such deviation shall become the property of Franchisor.

5.10.3 To permit Franchisor or its agents, at any reasonable time, to remove samples of products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

5.10.4 To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, and signs as Franchisor shall specify; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Franchisor's standards and specifications.

5.10.5 To fully and faithfully comply with all applicable governing authorities, laws and regulations, which by this reference are made part of this Agreement as if incorporated herein. Franchisee shall immediately close the Restaurant and terminate operations thereat in the event that: (i) any products sold at the Restaurant evidence adulteration or deviation from the standards set for products by Franchisor; (ii) any products sold at the store fail to comply with applicable laws or regulations; or (iii) Franchisee fails to maintain the products, Restaurant premises, equipment, personnel, or operation of the Restaurant in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Franchisor in writing and Franchisee shall destroy all contaminated or adulterated products and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Restaurant until after Franchisor has inspected the Restaurant premises, and Franchisor has determined that Franchisee has corrected the condition and that all products sold at the Restaurant comply with Franchisor's standards.

5.11 Suppliers. Franchisee shall purchase all products, ingredients, supplies, materials, and other products used or offered for sale at the Restaurant solely from suppliers that meet Franchisor's specifications as set forth in the Manuals and/or that Franchisor has approved in writing. In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including a supplier who can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who has been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisee recognizes that Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item.

5.11.1 If Franchisee wishes to purchase any products or any items from an unapproved supplier, Franchisee shall first submit to Franchisor a written request for such approval. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

5.11.2 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

5.11.3 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Restaurants with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of Restaurants. Franchisor shall have

unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell products to Franchisee.

5.11.4 Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to Franchisee or to Franchisor or its affiliates based upon Franchisee’s purchases of products and other goods and services. These Allowances are based on System-wide purchases of food, beverages, paper goods, merchandise and other items. Franchisee assigns to Franchisor or its designee all of Franchisee’s right, title and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

5.12 Promotional Materials. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including without limitation disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Restaurant), any and all replacement trade dress products, and other items, which may be designated by Franchisor to bear the Franchisor’s then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

5.13 Inspections. Franchisee grants Franchisor and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee’s compliance with this Agreement and the policies and procedures outlined in the Manuals. Franchisee shall cooperate with Franchisor’s representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor’s other rights under this Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

5.14 Franchisee Structure.

Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iii) not issue any voting securities or securities convertible into voting securities; (iv) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request.

5.14.1 If Franchisee is a partnership or limited liability partnership it shall: (i) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; and (ii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee.

5.14.2 If a Franchisee is a limited liability company, Franchisee shall: (i) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (ii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee; and (iii) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.15 Guarantee of Performance. Each present and future: (i) shareholder of a corporate Franchisee; (ii) member of a limited liability company Franchisee; (iii) partner of a partnership Franchisee; or (iv) partner of a limited liability partnership Franchisee; with at least a ten percent (10%) ownership interest in Franchisee, shall jointly and severally guarantee Franchisee's performance of each and every provision of this Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit C, provided, however, that no guarantee shall be required from a person who acquires Franchisee's securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934.

5.16 Computer System. At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System. Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's computer system that Franchisor deems necessary or desirable.

5.17 Uniforms. To promote a uniform System image, Franchisee shall require all of its Restaurant personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.18 Discounts and Incentive Programs. Franchisee acknowledges and agrees that customer discounts and incentives may be effective methods to spur customer visits to the Restaurant. Accordingly, Franchisee shall offer discounts to customers and/or customer incentive programs in accordance with Franchisor's standards. In addition, Franchisee shall offer for sale, and will honor for purchases by customers, any incentive or convenience programs which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs. With respect to the sale of all products, services or merchandise, Franchisee shall have sole discretion as to the prices to be charged to customers.

5.20 Franchisee Advisory Council. Franchisor reserves the right to create a "Franchisee Advisory Council," for the purpose of fostering communication among and between franchisees and Franchisor, as well as to establish, modify or discuss various policies applicable to The Local Fry businesses operating under the System. If and when the Franchisee Advisory Council is created, Franchisee shall be required to participate in such Franchisee Advisory Council meetings and programs as Franchisor shall designate. Franchisee may be required to pay such dues to the Franchisee Advisory Council as Franchisor shall determine, and Franchisee shall pay all costs and

expenses incurred in connection with participation in the Franchisee Advisory Council including, without limitation, the costs of transportation, lodging, and meals.

5.21 System Modifications. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of The Local Fry Restaurants. Franchisor's changes to the System may include, without limitation, the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of food and beverage products and services, and new trademarks, service marks and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any The Local Fry Restaurant or the System. Franchisee acknowledges that certain The Local Fry Restaurants, owned and operated by affiliates of Franchisor, may not conform to all of the System standards that Franchisor has or may develop, and/or that Franchisor has or may require of franchisees, including Franchisee. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee or other operator of The Local Fry Restaurants and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

6. PROPRIETARY MARKS

6.1 Ownership of the Proprietary Marks. Franchisor represents with respect to the Proprietary Marks that:

6.1.1 Franchisor is the owner of all right, title, and interest in and to the Proprietary Marks.

6.1.2 Franchisor has taken and will take all steps reasonably necessary to preserve and protect Franchisor's ownership of, and validity in, the Proprietary Marks.

6.2 Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

6.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor; all items bearing the Proprietary Marks shall bear the then-current logo.

6.2.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in franchisor-approved advertising for the business conducted at or from that location.

6.2.3 Unless Franchisor otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Restaurant only under the name “The Local Fry ” without prefix or suffix.

6.2.4 During the term of this Agreement and any renewal of this Agreement, Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the owner of the Restaurant in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant as Franchisor may designate in writing.

6.2.5 Franchisee’s right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor rights.

6.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor.

6.2.7 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, Internet domain name, or website or any other electronic identifier (including but not limited to e-mail addresses, account names in a social media site, and the like) of Franchisee or the Restaurant in any forum or medium.

6.2.8 Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

6.2.9.1 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to Franchisor’s ownership of, or Franchisor or Franchisee’s right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Franchisor shall have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

6.2.9.2 If Franchisee has used the Proprietary Marks in accordance with this Agreement, Franchisor shall defend Franchisee at Franchisor’s expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of Franchisee’s use thereof. If

Franchisee has not used the Proprietary Marks in accordance with this Agreement, Franchisor will defend Franchisee, at Franchisee's expense, against such third party claims, suits, or demands. Franchisee acknowledges that Franchisor has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

6.2.9.3 If Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor shall bear the costs of any judgment or settlement. To the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor for the cost of such litigation, including without limitation attorney's fees, as well as the cost of any judgment or settlement.

6.3 Franchisee Acknowledgements. Franchisee expressly understands and acknowledges that:

6.3.1 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

6.3.2 Neither Franchisee nor any principal of Franchisee shall directly or indirectly contest the validity or Franchisor's ownership of the Proprietary Marks, nor shall Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with Franchisor's express prior written consent.

6.3.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

6.3.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

6.3.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is non-exclusive, and Franchisor thus has and retains the rights, among others:

6.3.5.1 To use the Proprietary Marks itself in connection with selling products and services;

6.3.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees;

6.3.5.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

6.3.6 Franchisor reserves the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder if the Proprietary Marks no longer can be used, or if Franchisor, exercising its right to do so, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, Franchisee shall implement at Franchisee's expense such substituted proprietary marks in such ways as Franchisor may direct, and the use of the substituted proprietary marks shall be governed by the terms of this Agreement.

7. CONFIDENTIAL OPERATING MANUALS

7.1 Manuals. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement.

7.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Restaurant, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be kept in a secure place on the Restaurant premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's home office shall be controlling.

7.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or

know-how concerning the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any confidential information regarding the Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by Franchisor, which form shall, among other things, designate Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

8.2 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 8 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

8.3 Information Exchange. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, formulas, recipes, methods and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of a Restaurant. If Franchisee develops any new concepts, processes, technology, formulas, recipes, marketing, or improvements relating to the System or The Local Fry Restaurants, whether or not pursuant to a Franchisor authorized test, Franchisee promptly shall notify Franchisor and provide Franchisor with all information regarding the new concept, process or improvement, all of which shall become the property of Franchisor and its affiliates and which may be incorporated into the System without any payment to Franchisee. Franchisee, at its expense, promptly shall take all actions deemed necessary or desirable by Franchisor to vest in Franchisor ownership of such concepts, processes or improvements.

9. ACCOUNTING AND RECORDS

9.1 Records. With respect to the operation and financial condition of the Restaurant, Franchisee shall adopt, until otherwise specified by Franchisor, a fiscal year consisting of not less than twelve (12) accounting periods of four or five weeks each, which coincides with Franchisor's then-current fiscal year, as specified by Franchisor. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

9.2 Periodic Reports. Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement of the Restaurant for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), on a review basis, prepared by an independent certified public accountant satisfactory to Franchisor, no later than April 15th each year for the preceding fiscal year of the Restaurant, showing the results of operations of the Restaurant during the most recently completed fiscal year. In addition, no later than the fifteenth (15th) day of each accounting period during the term of this Agreement after the opening of the Restaurant, Franchisee shall submit to Franchisor, in a format acceptable to (or, at Franchisor's election, specified by) Franchisor: (i) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Restaurant; (ii) reports of those income and expense items of the Restaurant which Franchisor specifies from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees, provided that Franchisor will not identify to prospective franchisees any specific financial results of the Restaurant; and (iii) copies of all state sales tax returns for the Restaurant.

9.3 Reporting Requirements. Franchisee shall also submit to Franchisor in addition to the Sales Reports required pursuant to Section 4.2, for review or auditing, such other forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing, including, without limitation, via computer diskette, or otherwise in electronic format, and/or restated in accordance with Franchisor's financial reporting periods, consistent with Franchisor's then current financial reporting periods and accounting practices and standards. The reporting requirements of this Section 9.3 shall be in addition to, and not in lieu of, the electronic reporting required under Section 11.

9.4 Audit. Franchisor or its designated agents shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor's expense, all books, records, and sales and income tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

10. ADVERTISING

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

10.1 **Total Marketing Obligation.** Franchisee shall have a total marketing obligation of 5% of Adjusted Gross Sales, which will be allocated among the Advertising Fund, any Regional Marketing Fund (or, any Regional Co-op) and Local Store Marketing as set forth in Appendix B. Upon Franchisee's receipt of written notice, Franchisor may increase and reallocate the total marketing obligation; however, Franchisee's total marketing obligation will not exceed 5% of Adjusted Gross Sales except, potentially, in the case of a Regional Co-Op as described in Section 10.5.

The Advertising Contribution shall be paid by Franchisee in the manner required under Section 4.4 above (or as otherwise provided in this Section 10).

10.2 **Advertising Fund.** The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

10.2.1 Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System; and that Franchisor and its designee are not obligated, in administering the Advertising Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.

10.2.2 The Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively (except as otherwise provided in this Section 10.2) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including, without limitation, the costs of preparing and conducting: media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; purchasing promotional items, conducting and administering visual merchandising, POS, and other merchandising programs; and providing promotional and other marketing materials and services to the Restaurants operated under the System. The Advertising Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by Franchisor, which products, services, or improvements Franchisor shall have the right to determine will promote general public awareness and favorable support for the System.

10.2.3 Franchisee shall contribute to the Advertising Fund in the manner specified in Section 4.4 above. All sums paid by Franchisee to the Advertising Fund shall be maintained in an account separate from Franchisor's other monies. Franchisor shall have the right to charge the Advertising Fund for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the direction and implementation of the Advertising Fund and advertising programs for franchisees and the System, including, without limitation, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor or its designee shall maintain separate bookkeeping accounts for the Advertising Fund.

10.2.4 The Advertising Fund is not and shall not be an asset of Franchisor, nor a trust, and Franchisor does not assume any fiduciary obligation to Franchisee for maintaining, directing or administering the Advertising Fund or for any other reason. A statement of the operations of the Advertising Fund as shown on the books of Franchisor shall be prepared annually by Franchisor and shall be made available to Franchisee.

10.2.5 Although the Advertising Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and/or promotional purposes.

10.3 Local Advertising and Promotion. In addition to, but not in lieu of, the Advertising Contribution, Franchisee shall expend an amount equal to two and one half percent (2½%) of annual Adjusted Gross Sales on local advertising and promotion. All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; and, shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 10.7 below.

10.4 Costs of Local Advertising and Promotion. As used in this Agreement, the term **“local advertising and promotion”** shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in its local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

10.4.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

10.4.2 Charitable, political, or other contributions or donations;

10.4.3 The value of discounts provided to customers;

10.4.4 The cost of food items.

10.5 Cooperative Advertising Fund. Franchisor shall have the right to designate any geographical area for purposes of establishing a cooperative advertising fund (“**Cooperative Ad Fund**”). If a Cooperative Ad Fund for the geographic area in which the Restaurant is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative Ad Fund. If a Cooperative Ad Fund for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

10.5.1 Each Cooperative Ad Fund shall be organized (including but not limited to bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority of votes of its members. Any Restaurants that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. There shall be one (1) vote for each Restaurant operating under the System within the geographic region of the Cooperative Ad Fund.

10.5.2 Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local advertising and promotion.

10.5.3 No advertising or promotional plans or materials may be used by a Cooperative Ad Fund or furnished to its members without the prior approval of Franchisor, pursuant to the procedures and terms as set forth in Section 10.7 below.

10.5.4 Franchisee shall submit its required contribution to the Cooperative Ad Fund in the amount determined by the Cooperative Ad Fund and at the time required under Section 4.4 above, together with such statements or reports as may be required by Franchisor or by the Cooperative Ad Fund with Franchisor’s prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

10.5.5 Although once established, each Cooperative Ad Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes.

10.6 Promotional Materials. Franchisor shall make available to Franchisee from time to time, at Franchisee’s expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special

promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion.

10.7 Approvals. For all proposed advertising, marketing, and promotional plans, Franchisee shall submit samples of such plans and materials to Franchisor (by means described in Section 20 below), for Franchisor's review and prior written approval (except with respect to prices to be charged by Franchisee), at least ten (10) days prior to Franchisee's proposed use of such materials. If written approval is not received by Franchisee from Franchisor within five (5) days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have approved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

10.7.1 Franchisor or its designee periodically shall advise Franchisee of the advertising and sales promotions authorized by Franchisor and may provide general guidelines for Local Store Marketing. Local advertising and promotion materials may be purchased from any approved source. These materials and procedures for disseminating such materials must comply with federal and local laws and regulations, including but not limited to the Lanham Act, 15 U.S.C. § 1125 et seq. and the Telephone Consumer Protection Act, 47 U.S.C. § 227 et seq. (the "TCPA"), and with the guidelines for advertising and promotion promulgated from time to time by Franchisor or its designee. Advertising, marketing, or other communication to customers or potential customers by telephone, including telephone calls and text messages, or facsimile shall be done, if at all, at the sole discretion and the direction of Franchisee and shall not be reviewed, approved, or otherwise controlled by Franchisor. Franchisee agrees that Franchisee will be solely responsible for complying with any laws pertaining to communications by telephone, including telephone calls and text message, or facsimile including but not limited to the TCPA. Franchisee is encouraged to retain independent counsel for advice on compliance with all federal, state, and local laws and regulations pertaining to such practices. All print, e-mail, and online advertising materials shall be submitted to Franchisor or its designee prior to first use for written approval by Franchisor. In no event shall Franchisee's print, email, or online advertising materials contain any statement or material that, in the sole discretion of Franchisor, may be considered: **(a)** in bad taste or offensive to the public or to any group of persons; **(b)** defamatory of any person or an attack on any competitor; **(c)** to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or **(d)** inconsistent with the public image of Franchisor or the System. Franchisor shall have the right to require Franchisee to include in advertising and promotional materials any information or statements, including that "Franchises Are Available."

10.8 Grand Opening Advertising Program. In addition to and not in lieu of the Advertising Contribution and any expenditures for local advertising and promotion, Franchisee shall expend between Three Thousand Dollars (\$3,000) and Five Thousand Dollars (\$5,000) for grand opening advertising and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan development by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening**

Advertising Program”). The Grand Opening Advertising Program shall be executed and completed within ninety (90) days after the Restaurant commences operation. Franchisee shall submit to Franchisor, for Franchisor’s prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 10.4 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 10.8 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

10.9 Minimum Requirements Only. Franchisee understands and acknowledges that the required contributions and expenditures are minimum requirements only, and that Franchisee may, and is encouraged by Franchisor to, expend additional funds for local advertising and promotion of a local nature which will focus on disseminating advertising directly related to Franchisee’s Restaurant.

10.10 Websites. Franchisor will maintain a Website for benefit of Franchisor and Franchisor’s franchisees. Franchisee agrees not to establish a Website or permit any other party to establish a Website that relates in any manner to Franchisee’s Restaurant or referring to the Proprietary Marks. Franchisor has the right, but not the obligation, to provide one or more references or webpage(s) to Franchisee’s Restaurant, as Franchisor may periodically designate, within Franchisor’s Website. (The term “Website” as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the Internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Google Wave, YouTube, etc.), blogs, vlogs, and other applications, etc.). If Franchisor ever does approve in writing a request for Franchisee to use a separate Website, then Franchisor has the right to require that Franchisee meets any or all of the following requirements:

10.10.1 Franchisee agrees that any Website that Franchisee owns or that is maintained for Franchisee’s benefit will be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s prior written approval pursuant to Section 10.7 above.

10.10.2 Franchisee agrees not to establish or use any Website without Franchisor’s prior written approval.

10.10.3 Franchisee agrees that before establishing any Website, Franchisee will submit to Franchisor, for Franchisor’s prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen

shots), and non-visible content (including, without limitation, meta data and meta tags) in the form and manner Franchisor may reasonably require.

10.10.4 Franchisee agrees not to use or modify any such Website without Franchisor's prior written approval as to such proposed use or modification.

10.10.5 Franchisee agrees, in addition to any other applicable requirements, to comply with Franchisor's written standards and specifications for Websites, whether set forth in the Manuals or otherwise.

10.10.6 Franchisee agrees that, upon Franchisor's written request, Franchisee will promptly establish and maintain links from Franchisee's Website to Franchisor's Website (and such other Websites as Franchisor may request).

10.11 Promotional Programs. Franchisee acknowledges that periodic rebates, give-aways and other promotions and programs are an integral part of the System. Accordingly, Franchisee, at its sole cost and expense, from time to time shall issue and offer such rebates, give-aways and promotions in accordance with any reasonable advertising programs established by Franchisor, and further shall honor rebates, give-aways and other promotions, issued by other franchisees and approved by Franchisor, as long as all of the above do not contravene regulations and laws of appropriate governmental authorities.

10.12 Charitable Donations. Franchisee acknowledges and agrees that certain associations between Franchisee and/or the Restaurant, and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, the reputation of Franchisor or the good will associated with the Marks. Accordingly, Franchisee acknowledges that Franchisor reserves the right to disapprove any Franchisee activities with, or donations of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in connection or association with Franchisee, the Proprietary Marks, the Restaurant, the Franchisor, or the System.

10.13 Gift Cards. If Franchisor requires, Franchisee agrees to participate in a gift card program that Franchisor specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards, which Franchisor may specify in writing in the Manuals or otherwise. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift cards only in accordance with Franchisor's written standards. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift cards that Franchisor has approved in writing.

11. TECHNOLOGY

11.1. Computer System. Franchisor has the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among Franchisee's Restaurant and Franchisor, Franchisor's designee and/or Franchisee; (b) Point of Sale Systems (defined below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (for example, form of telecommunications connection) and speed (collectively, all of the items of hardware, software, firmware, systems, and other elements referred to above in this Section 11.1 are referred to in this Agreement as the "**Computer System**"). Franchisee agrees to comply with Franchisor's requirements with respect to the Computer System. In this regard:

11.1.1 Franchisor has the right, but not the obligation, to develop or have developed for Franchisor, or to designate, any or all of the following:

(a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee must install;

(b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install;

(c) the tangible media upon which such Franchisee must record or receive data;

(d) the database file structure of Franchisee's Computer System;

(e) an Extranet for informational assistance, which may include, without limitation, the Manuals, training other assistance materials, and management reporting solutions; and

(f) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing.

11.1.2 Franchisee agrees to install and use the Computer System and Required Software in the manner that Franchisor requires.

11.1.3 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Franchisor may reasonably request in writing (collectively, "**Computer Upgrades**").

11.1.4 Franchisee agrees to comply with Franchisor's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required

Software, and with respect to Computer Upgrades, at Franchisee's own expense.

11.1.5 Franchisee agrees to afford Franchisor unimpeded access to Franchisee's Computer System and Required Software in the manner, form, and at the times that Franchisor requests.

11.2 Data. Franchisee agrees that all data that Franchisee collects from customers and potential customers in connection with the Restaurant ("**Customer Data**") is deemed to be owned exclusively by Franchisor, and Franchisee also agrees to provide the Customer Data to Franchisor at any time that Franchisor requests that Franchisee do so. Franchisee has the right to use Customer Data while this Agreement or a Successor Franchise Agreement is in effect, but only in connection with operating the Restaurant and only in accordance with the policies that Franchisor establishes from time to time. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Restaurant and marketing "The Local Fry " products and services. However, if Franchisee transfers the Restaurant (as provided in Section 13.3 below), as part of the Transfer, Franchisee must also Transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Restaurant.

11.3 Ownership of Data. Franchisor has the right to periodically specify in writing, in the Manuals or otherwise, the information that Franchisee must collect and maintain on the Computer System, and Franchisee agrees to provide Franchisor with the reports that Franchisor may reasonably request from the data so collected and maintained. Franchisee agrees to: (a) download to Franchisor daily (or at such other intervals that Franchisor may reasonably require) all information and materials that Franchisor may require in connection with Franchisee's operation of the Restaurant; (b) display such information and materials in the manner Franchisor may prescribe, including, without limitation, to employees of the Restaurant. All data pertaining to, derived from, or displayed at the Restaurant (including without limitation data Customer Data) is and shall be Franchisor's exclusive property, and Franchisor hereby grants Franchisee a royalty-free non-exclusive license to use that data during the Term of this Agreement for the sole purpose of operating the Restaurant.

11.4 Privacy Laws. Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

11.4.1 Franchisee agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and Franchisor's counsel in determining the most effective way, if possible, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law.

11.4.2 Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

11.5 Point of Sale Systems. Franchisee agrees to record all sales on computer-based point of sale systems or such other types of registers that Franchisor has the right to designate or approve in the Manuals or otherwise in writing (“**Point of Sale Systems**”). The Point of Sale System is deemed to be part of Franchisee’s Computer System. Franchisee must utilize computer-based point-of-sale registers that are fully compatible with any program or system that Franchisor has the right to designate and Franchisee must record all Gross Revenues and all revenue information on such equipment.

11.6 Identification of the Restaurant. Franchisee must use, and only use, the e-mail address and other identifiers that Franchisor designates in writing in connection with the Restaurant.

11.7 Changes to Technology. Because changes to technology are dynamic and not predictable within the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor’s reasonable new standards as if this Section 11 were periodically revised for that purpose.

11.8 E-Mail and Fax Communication. Franchisee agrees that exchanging information with us by e-mail and fax is an important way to enable quick, effective, and efficient communication, and that Franchisor is entitled to rely upon each other’s use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax to exchange information, Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor’s employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, “**Official Senders**”) to Franchisee and Franchisee’s employees during the term of this Agreement.

11.8.1 Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic means, subject to the limitations provided in Section 10.7.1 without Franchisor’s prior written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisor’s plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that Franchisee will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”).

11.8.2 Franchisee agrees that: (a) Official Senders are authorized to send e-mails and faxes to Franchisee and Franchisee’s employees; (b) Franchisee will cause Franchisee’s officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Franchisor may reasonably require) to Official Senders’ transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official

Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails and/or faxes, from Official Senders during the term of this Agreement.

11.8.3 The consent given above in this Section 11.8 will not apply to the provision of notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

12. INSURANCE

12.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Restaurant or other facilities on premises, or by reason of the construction, operation, or occupancy of the Restaurant or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Restaurant is located, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

12.1.1 Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than One Million Dollars (\$1,000,000) per occurrence.

12.1.2 Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

12.1.3 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.

12.1.4 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Five Million Dollars (\$5,000,000) total limit of liability.

12.1.5 Property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake.

12.1.6 Products liability insurance and liquor liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy shall be considered primary.

12.1.7 Any other insurance coverage that is required by federal, state, or municipal law.

12.2 Referenced in Manuals. All policies listed in Section 12.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

12.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to Franchisor in the manner provided in Section 21 below.

12.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Restaurant during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Franchisor, having a rating as set forth in Section 12.1 above.

12.5 No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.4 below.

12.6 Franchisor to be Additional Named Insured. All public liability and property damage policies shall list Franchisor as an additional named insured, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees.

12.7 Certificates of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor, certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 12.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage.

12.8 Proof of Insurance. In addition to its obligations under Section 12.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Franchisor with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require.

12.9 Policy Limit Changes. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits and endorsements as it may determine; provided, however, all changes shall apply, generally, to all franchisees of Franchisor who are similarly situated.

13. TRANSFER OF INTEREST

13.1 Franchisor Transfers. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

13.2 Principals. If Franchisee is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Franchisee (“**Principal**”), and the interest of each Principal in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that its owners are as set forth on Exhibit D attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Franchisee, to change without complying with this Agreement. Franchisor shall have the right to designate any person or entity which owns a direct or indirect interest in Franchisee as a Principal, and Exhibit D shall be so amended automatically upon notice thereof to Franchisee. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Franchisee.

13.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

13.3.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Restaurant; provided, however, that Franchisee may grant a security interest in, or otherwise encumber certain assets of the Restaurant, excluding the Franchise Agreement, in connection with Franchisee obtaining financing for the development and/or operation of the Restaurant or equipment leasing, if such financing satisfies the requirements of Franchisor, which may include, without limitation, execution of agreements by Franchisor, Franchisee, and/or such Principal, and any secured creditor of Franchisee, in a form satisfactory to Franchisor, acknowledging such creditor’s obligations to be bound by the terms of this Section 13.

13.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

13.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

13.3.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee as shown in Exhibit D.

13.4 Conditions for Approval. Franchisor shall not unreasonably withhold any consent required by Section 13.3 above; provided, that if Franchisee proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Franchisee, Franchisor shall have the right to require any or all of the following as conditions of its approval:

13.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Franchisee and Franchisor or its affiliates, and federal, state, and local laws and rules.

13.4.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if the obligations of Franchisee were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor.

13.4.3 After the transfer, Franchisee's new Principals shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Restaurant, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Restaurant.

13.4.4 If a proposed transfer would result in a change in control of Franchisee, at Franchisor's option, Franchisee shall execute, for a term ending on the expiration date of this Agreement the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and

the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and advertising fee, and a different or modified Territory.

13.4.5 If a proposed transfer would result in a change in control of Franchisee, and if so requested by Franchisor, Franchisee, at its expense, shall upgrade the Restaurant to conform to the then-current standards and specifications of new stores then-being established in the System.

13.4.6 All monetary obligations of Franchisee hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of its obligations hereunder including, without limitation, its reporting obligations.

13.4.7 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Restaurant that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

13.4.8 At Franchisee's expense, one (1) Principal designated by Franchisor to be a new Operating Partner shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require (Franchisor will charge a fee for attendance at such training programs, and the transferee shall be responsible for the salary and all expenses of the person who attends training).

13.4.9 If a proposed transfer would result in a change in control of Franchisee, and to compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Franchisor a transfer fee in the amount of fifty percent (50%) of the then-current Initial Franchise Fee being charged to new franchisees under the System at the time of transfer if a proposed transfer would result in a change in control of Franchisee. Franchisee shall not be required to pay a transfer fee if the transfer has the effect of transferring less than ten percent (10%) interest in Franchisee to an approved general manager.

13.4.10 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 16.2 and 16.3 below.

13.5 Right of First Refusal. If Franchisee or any Principal desires to accept any bona fide offer from a third party to purchase Franchisee, any material assets of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor.

13.5.1 Any material change in the terms of the offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 13.5 shall not

constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13, with respect to a proposed transfer.

13.5.2 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 13.5, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

13.6 Transfer Upon Death. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

13.7 Transfer Upon Permanent Disability. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 13 within six (6) months after notice to Franchisee. **"Permanent Disability"** shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 13.7 as of the date of refusal. Franchisor shall pay the cost of the required examination.

13.8 Notification Upon Death or Permanent Disability. Upon the death or permanent disability of any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any inter vivos transfer.

13.9 No Waiver of Claims. Franchisor's consent to a transfer which is the subject of this Section 13 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

13.10 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Franchisee, Franchisee's obligations and/or rights hereunder, any material assets of Franchisee, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 13, including without limitation the terms of Sections 13.3, 13.4, and 13.5 above.

14. DEFAULT AND TERMINATION

14.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

14.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 21 below), upon the occurrence of any of the following events:

14.2.1 If Franchisee fails to construct and open the Restaurant within the time limits as provided in Section 5.3 above, and within the requirements set forth in Section 5.4 above;

14.2.2 If Franchisee at any time ceases to operate or otherwise abandons the Restaurant for two (2) consecutive business days, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or

destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the premises, which approval shall not be unreasonably withheld;

14.2.3 If Franchisee or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

14.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant;

14.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 13 above;

14.2.6 If Franchisee fails to comply with the covenants in Section 16.2 below or fails to timely obtain execution of the covenants required under Section 16.5 below;

14.2.7 If, contrary to the terms of Sections 7 or 8 above, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

14.2.8 If Franchisee knowingly maintains false books or records, or submits any false reports (including, but not limited to, information provided as part of Franchisee's application for this franchise) to Franchisor;

14.2.9 If Franchisee commits three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

14.2.10 If Franchisee fails to report accurately the Adjusted Gross Sales of the Restaurant or to make payments of any amount due Franchisor for royalty fees, advertising contributions, or any other amounts due to Franchisor or its affiliates hereunder and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee, or if any checks are returned to Franchisee for payments to Franchisor as described in Section 4.4 above;

14.2.11 If Franchisee sells products not previously approved by Franchisor, or purchases any product from a supplier not previously approved by Franchisor;

14.2.12 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

14.2.13 If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or a Principal of Franchisee fails to utilize the Proprietary Marks solely in

the manner and for the purposes directed by Franchisor, or directly or indirectly contests the validity of Franchisor's ownership of the Proprietary Marks or its right to use and to license others to use the Proprietary Marks.

14.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 14.1 and 14.2 above, upon any other default by Franchisee of its obligations hereunder, Franchisor may terminate this Agreement only by giving written notice of termination (in the manner set forth under Section 21 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor, all within the thirty (30) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

14.4 Franchisor's Right to Enter and Operate the Restaurant. Notwithstanding anything to the contrary contained in this Section 14, if Franchisee commits a default pursuant to Sections 14.2.2, 14.2.3 or 14.2.4 of this Agreement, Franchisor shall have the right, in its sole discretion, to immediately enter the premises of the Restaurant and operate the Restaurant until such time as Franchisor determines is necessary. In such case, Franchisee shall pay to Franchisor a reasonable management fee, which fee shall be set forth in the Manuals, to compensate Franchisor for its costs and expenses in connection with the operation of the Restaurant pursuant to this Section 14.4.

14.5 Extended Notice of Termination. If any law applicable to this Section 14, or Section 2 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

14.6 Assignment Upon Bankruptcy. If, for any reason, the Agreement is not terminated pursuant to this Section 14, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth (i) the name and address of the proposed assignee, and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of the Agreement.

14.7 Other Remedies. If Franchisor is entitled to terminate this Agreement in accordance with Sections 14.2 or 14.3 above, Franchisor shall have the right to undertake any one or more of the following actions instead of terminating this Agreement:

14.7.1 Franchisor may terminate or modify any rights that Franchisee may have with respect to “exclusivity” in the Territory, as granted under Section 1.2 above, effective ten (10) days after delivery of written notice thereof to Franchisee; and/or

14.7.2 Franchisor may modify, or eliminate completely, the Territory described in Section 1.3 above.

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 14.7, such action shall be without prejudice to Franchisor’s right to terminate this Agreement in accordance with Sections 14.2 or 14.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

15. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

15.1 Cease Operations. Franchisee shall immediately cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

15.2 Cease Use of Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark “The Local Fry ” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

15.3 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark “The Local Fry”, and all other Proprietary Marks, and/or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

15.4 Modification of Premises. If Franchisor does not elect or is unable to exercise any option it may have to acquire the lease or sublease for the premises of the Restaurant, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to

distinguish the appearance of said premises from that of other Restaurants, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In addition, Franchisee shall cease use of all telephone numbers, customer “loyalty” lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Restaurant from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section 15.4, Franchisor (or its designee) shall have the right to enter upon the premises of the Restaurant, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

15.5 No Confusion. Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor’s rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the System, or the Proprietary Marks.

15.6 Pay Monies Owed. Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by Franchisor as a result of the default.

15.7 Damages and Costs. Franchisee shall pay Franchisor all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15.

15.8 Return of Manuals. Franchisee shall immediately deliver to Franchisor the Manuals and all other manuals, records, and instructions containing confidential information (including without limitation any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

15.9 Option to Purchase Furnishings and Equipment. Franchisor shall have the option, to be exercised within thirty (30) days after termination or default under Franchisee’s lease for the Accepted Location, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Restaurant, at the lesser of Franchisee’s cost or fair market value. The cost shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment’s

original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

15.10 Right to Enter and Operate. In order to preserve the goodwill of the System following termination, Franchisor (or its designee) shall have the right to enter the Restaurant (without liability to Franchisee, Franchisee's Principals, or otherwise) for the purpose continuing the Restaurant's operation and maintaining the goodwill of the business.

15.11 Compliance with Covenants. Franchisee shall comply with the covenants contained in Section 16 of this Agreement.

16. COVENANTS

16.1 Full Time and Best Efforts. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or one (1) designated management employee who will assume primary responsibility for the franchise operations and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the Restaurant.

16.2 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

16.3 Continuing Covenants. Franchisee covenants that, except as otherwise approved in writing by Franchisor, it shall not, during the term of this Agreement, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Restaurant; and shall not for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 13 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 16.3:

16.3.1 Either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity), own, maintain, operate, engage in, or have any interest in any restaurant business which is the same as or similar to the Restaurant and which

business is, or is intended to be, located: (a) at the Accepted Location; (b) within a fifteen (15) mile radius of the Accepted Location; or (c) within a fifteen (15) mile radius of any other Restaurant operating at the time that the obligations under this Section 16.3 commence.

16.3.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

16.4 Publicly-Held Corporations. Section 16.3 above shall not apply to ownership by Franchisee of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “publicly-held corporation” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

16.5 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 6.3.3, 8, 13, 15, and this Section 16 (as modified to apply to an individual) from any or all of Franchisee’s Principals and Highly Trained Personnel. The covenants required by this Section 16.5 shall be in the form provided in Exhibit H to this Agreement. Failure by Franchisee to obtain execution of a covenant required by this Section 16.5 shall constitute a default under Section 14.2.6 above.

16.6 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 16.

16.7 Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 16.2 and 16.3 in this Agreement, or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 21 below.

16.8 Enforcement of Claims. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 16. Franchisee agrees to pay all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor in connection with the enforcement of this Section 16.

16.9 Irreparable Injury. Franchisee acknowledges that Franchisee’s violation of the terms of this Section 16 would result in irreparable injury to Franchisor for which no adequate

remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 16.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

17.2 Tax Disputes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant, or any improvements thereon.

17.3 Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, liquor or alcoholic beverage licenses, food handler's permits, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or other instructions of Franchisor, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

17.4 Notification of Claims. Franchisee shall notify Franchisor in writing within five (5) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Restaurant or the financial condition of Franchisee, or give rise to liability or a claim against Franchisee or Franchisor.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 Independent Contractors. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor.

18.3 No Agency. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 Indemnification. Franchisee shall indemnify and hold Franchisor and its affiliates, and their respective officers, directors, employees, and agents harmless against any and all claims, obligations, and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Restaurant (including, without limitation, operation of any other sales/distribution opportunities), the business conducted under this Agreement, or Franchisee's breach of this Agreement, including, without limitation, those alleged to be caused by Franchisor's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction, as well as the costs, including attorneys' fees, of defending against them. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Franchisee in which Franchisor is not a party, Franchisee shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Franchisee acknowledges and agrees that Franchisee's indemnification and hold harmless obligations under this Section 18.4 shall survive the termination or expiration of this Agreement.

19. FORCE MAJEURE

19.1 Force Majeure. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) the inability of Franchisor and/or its affiliates or suppliers to manufacture, purchase, and/or cause delivery of any products used in the operation of the Restaurant.

19.2 Remitting Funds. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 19.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that Franchisee shall remain obligated to promptly pay all fees owing and due to Franchisor hereunder, without any such delay or extension.

20. APPROVALS AND WAIVERS

20.1 Approvals. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

20.2 No Warranties. Franchisee acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

20.3 Waivers. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

21. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, sent by a recognized overnight delivery service (e.g., UPS, FedEx, etc.) or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Exhibit A of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

22. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No other representations have induced Franchisee to execute this Agreement; provided however, that nothing in this Agreement is intended to disclaim the representations made in the franchise disclosure document. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

23. SEVERABILITY AND CONSTRUCTION

23.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any arbitration proceeding, such findings shall not invalidate the remainder of the agreement unless in the reasonable opinion of Franchisor the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon Franchisor shall have the right by notice in writing to the other party to immediately terminate this Agreement.

23.2 No Other Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 13 above, any rights or remedies under or by reason of this Agreement.

23.3 Enforceability of Covenants. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

23.4 Construction. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

23.5 Survival of Provisions. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

24. APPLICABLE LAW AND DISPUTE RESOLUTION

24.1 Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Maryland, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Maryland choice-of-law rules); provided, however, that

if the covenants in Section 16 of this Agreement would not be enforceable under the laws of Maryland, and the Restaurant is located outside of Maryland, then such covenants shall be interpreted and construed under the laws of the state in which the Restaurant is located. Nothing in this Section 24.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Maryland to which this Agreement would not otherwise be subject.

24.2 Venue. Subject to Section 24.3 below, the parties agree that any action brought by Franchisee against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 24.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

24.3 Mediation. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 24.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

24.3.1 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “**complainant**”) providing written notice of the request for mediation (the “**request**”) to the party with whom mediation is sought (the “**respondent**”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

24.3.2 Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

24.4 No Exclusive Remedies. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of

any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

24.5 **Injunctive Relief.** Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

24.6 **Waiver of Jury Trial.** Franchisor and Franchisee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

24.7 **Limitation of Actions.** Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Restaurant (including any defenses and any claims of set-off or recoupment), must be brought or asserted before the expiration of the earlier of (a) the time period for bringing an action under any applicable state or federal statute of limitations; (b) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (c) two (2) years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions shall be irrevocably barred. Any claims that Franchisor may have due to Franchisee's underreporting of sales, and claims of either party for failure to pay monies owed and/or indemnification, will be subject only to the applicable state or federal statute of limitations.

24.8 **Waiver of Damages.** Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

25. ACKNOWLEDGMENTS

25.1. **Representations and Warranties.** Franchisee and its Principals represent and warrant to Franchisor that: (a) neither Franchisee nor any of its Principals have made any untrue statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither Franchisee nor any of its Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in its franchise application materials; and (c) neither Franchisee nor its Principals have been designated as suspected terrorists under U.S. Executive Order 13244. Franchisee recognizes that Franchisor approved Franchisee in reliance on all of the statements Franchisee and its Principals have made in connection therewith.

25.2. **No Other Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude

or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

25.3. Modification of Offers. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

<u>TLF Holdings Inc., a Maryland corporation</u>	_____
Franchisor	Franchisee Entity

By:_____	By:_____
----------	----------

Name:_____	Name:_____
------------	------------

Title:_____	Title:_____
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THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT A

Accepted Location and Territory

1. The Accepted Location is: _____

_____.

2. The Territory is: _____

_____.

3. The designated address for notices under Section 21 of the Agreement should be as follows:

Notices to Franchisor:

TLF Holdings Inc., a Maryland corporation
711 W. 40th St., Ste 152
Baltimore, MD 21211
Telephone: (410) 599-9940
Fax: (____) _____
Email: franchise@TheLocalFry.com
Attn: _____

Notices to Franchisee:

Telephone: _____
Fax: _____
Email: _____
Attn: _____

Acknowledged and agreed to by:

TLF Holdings Inc., a Maryland corporation
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Date: _____

Date: _____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT B

SITE SELECTION ADDENDUM

TLF Holdings Inc., a Maryland corporation (“**Franchisor**”) and _____ (“**Franchisee**”) have this ____ day of _____, 20__ entered into a The Local Fry Franchise Agreement (“**Franchise Agreement**”) and desire to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties hereto agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within ninety days (90) days after the date hereof, Franchisee shall acquire or lease/sublease or obtain a letter of intent or an option to acquire or lease/sublease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “**Restaurant**”) at a site accepted by Franchisor as hereinafter provided. Such location shall be within the following area: _____

_____ (the “**Site Selection Area**”). The Site Selection Area is described solely for the purpose of selecting a site for the Restaurant. Franchisor shall not establish, nor franchise another to establish, a The Local Fry Restaurant operating under the System within the Site Selection Area until Franchisor accepts a location for the Restaurant, or until the expiration of the search period referenced herein, whichever event first occurs. Failure by Franchisee to acquire or lease a site for the Franchised Business within the time required in Section I hereof shall constitute a default under Section 14.2 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 14.2 of the Franchise Agreement.

2. **Site Evaluation Services:** Franchisor shall furnish to Franchisee site selection guidelines, including Franchisor’s minimum standards for a location for the Restaurant, and such site selection counseling and assistance as Franchisor may deem advisable. Franchisor shall perform any on-site evaluation as Franchisor may deem advisable in response to Franchisee’s requests for site acceptance; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee’s request) for any Restaurant to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

3. **Site Selection Package Submission and Acceptance:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee’s favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to accept or reject,

in its sole discretion, the proposed site as the location for the Restaurant. In the event Franchisor does not reject a proposed site by written notice to Franchisee within said fifteen (15) days, such site shall be deemed accepted by Franchisor.

4. **Lease Responsibilities:** Within sixty (60) days of site acceptance by Franchisor, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's acceptance of any lease is conditioned upon inclusion in the lease of the **Lease Rider** attached to the Franchise Agreement as Exhibit G. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Lease Rider.

5. **Accepted Location:** After the location for the Restaurant is accepted by Franchisor pursuant to the Section 3 hereof and leased or acquired by Franchisee pursuant to Section 4 hereof, the location shall constitute the **Accepted Location** described in Section 1.1 of the Franchise Agreement. The Accepted Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Territory, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement.

6. This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

TLF Holdings Inc., a Maryland corporation
Franchisor

Franchisee

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT C
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to TLF Holdings Inc., a Maryland corporation (“**Franchisor**”) to execute The Local Fry Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20____ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s monetary obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 6.3.3, 8, 13, 15, and 16 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “The Local Fry” marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and

expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in the state or federal court of general jurisdiction in Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 24 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

[signature page to follow]

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT D
LIST OF PRINCIPALS

Name of Principal	Address and Telephone	Email address	Principal Occupation	Interest %

INITIALED:

FRANCHISOR: _____ FRANCHISEE: _____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT E

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

(Name of Person or Legal Entity)
(ID Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes TLF Holdings Inc., a Maryland corporation (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authority is to remain in full and force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if: (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry; or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____ Depositor:	_____ Depository:
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT F
ADA CERTIFICATION

TLF Holdings Inc., a Maryland corporation ("**Franchisor**") and
_____, ("**Franchisee**") are parties to a franchise agreement dated
_____, 20____ (the "**Franchise Agreement**") for the operation of a Restaurant
at _____

_____, (the "**Restaurant**"). In accordance with
Section 5.3 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of
Franchisee's knowledge, the Restaurant and its adjacent areas comply with all applicable federal,
state and local accessibility laws, statutes, codes, rules, regulations and standards, including but
not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an
independent contractor and the requirement of this certification by Franchisor does not constitute
ownership, control, leasing or operation of the Restaurant. Franchisee acknowledges that
Franchisor has relied on the information contained in this certification. Furthermore, Franchisee
agrees to indemnify Franchisor and the officers, directors, and employees of Franchisor in
connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and
damages incurred by the indemnified party(ies) as a result of any matters associated with
Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including
attorneys' fees, related to the same.

Franchisee:

By:_____

Name:_____

Title:_____

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT G
LEASE RIDER

THIS LEASE RIDER is made and entered into _____, 20__ BY AND AMONG _____ (the “**Landlord**”), _____ (the “**Tenant**”), and TLF Holdings Inc., a Maryland corporation whose principal place of business is 711 W. 40th St., Ste 152, Baltimore, MD 21211 (“**TLF**”).

RECITALS:

A. This Lease Rider supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated _____ (the “**Lease**”) for the premises situated at _____ (the “**Premises**”) to be used by the Tenant as a The Local Fry Restaurant.

B. This Lease Rider is entered into in connection with TLF’s acceptance of the location of the Premises as a The Local Fry Restaurant and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”).

C. This Lease Rider is intended to provided TLF the opportunity to reserve the Premises as a The Local Fry Restaurant under the circumstances set out below and to assure the Landlord that TLF exercises the option set out below on the basis that any defaults of the Tenant under the Lease will be cured by TLF before it takes possession of the Premises.

D. The Landlord agrees that TLF shall have the right but not the obligation to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to TLF copies of any Notice of Default that are given to the Tenant concurrently with the giving of such Notices to the Tenant. If the Tenant fails to cure any defaults within the period specified within the Notices, the Landlord shall promptly give to TLF further written Notice specifying the defaults that the Tenant has failed to cure. TLF shall have forty-five (45) days following receipt of the second written Notice to exercise its right to enter a new Lease on the same terms as apply to this Deed of Lease by written notice to the Landlord and the Tenant and in the event that TLF does exercise such right, then the circumstances described in clause 1.2 below shall apply.

1.2 The provisions of this clause 1.2 shall take effect if and when TLF exercises its rights pursuant to clause 1.1 above. TLF shall cure the defaults and/or begin paying rent upon the

Landlord delivering possession of the Premises to TLF. If it becomes necessary for the Landlord to pursue legal remedies in order to remove the Tenant and deliver possession of the premises, TLF shall, upon written request of the Landlord, pay into the trust account of the Landlord's lawyer to be held upon escrow on an "at call" interest-bearing account, such amounts as are necessary to cure the Tenant's defaults. If the Landlord is unable to deliver possession of the Premises to TLF within nine (9) months following the date of exercise referred to in clause 1.0 above, TLF shall hereafter have the right, at any time, until the Landlord delivers possession of the Premises, to rescind the option exercise by written notice to the Landlord whereupon all amounts held in escrow including accrued interest shall be returned to TLF.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if TLF shall desire to assume the Lease, shall promptly give the Landlord written notice to this effect. Within thirty (30) days after receipt of such notice the Landlord shall give TLF written notice specifying any defaults of the Tenant under the Lease and the provisions of clause 4.3 below shall apply.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give TLF written notice to this effect and TLF shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in this Lease. If TLF elects to exercise such right(s) it shall notify the Landlord in writing whereupon the Landlord and TLF shall promptly execute and exchange an agreement whereby TLF assumes the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by TLF, assign all of its right, title and interest in and to the Lease to TLF. If the Tenant fails to do so within the said ten (10) days, the Tenant hereby designates TLF as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to TLF executing an assignment of the Lease and curing all defaults of the Tenant under the Lease before taking possession of the Premises. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of TLF. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to TLF. TLF acknowledges that where

TLF enters into an assignment or sub-letting as referred to in clause 4.5 below it will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guarantee in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to TLF. TLF shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and TLF's reasonable collection costs.

4.3 TLF, upon taking possession of the Premises, shall concurrently cure the defaults specified by the Landlord in its written notice and shall execute and deliver to the Landlord its assumption of the Tenant's rights and obligations under the Lease. TLF shall pay, perform and be bound by all of the duties and obligations of the Lease applicable to the Tenant. TLF may elect not to be bound by the terms of any amendment to the Lease executed by the Tenant without obtaining TLF's prior written approval to such amendment, which approval shall not be unreasonably withheld or delayed.

4.4 After TLF assumes the Tenant's interest under the Lease, TLF may, at any time, sublet the Premises to a TLF franchisee without having to obtain the prior written consent of the Landlord.

4.5 After TLF assumes the Tenant's interest under the Lease, TLF may, at any time, assign or sublet its interest under the Lease but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, TLF shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.6 If the Lease or Franchise Agreement is terminated and TLF fails to exercise its option as described above, the Tenant agrees, upon written demand by TLF to de-identify the Premises as a The Local Fry Restaurant and to promptly remove signs, decor and other items which TLF reasonably requests be removed as being distinctive and indicative of a The Local Fry Restaurant. TLF may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from TLF, following termination of the Franchise Agreement or Lease. The Tenant shall pay TLF for its reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to TLF for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to TLF pursuant to this clause.

4.7 BY EXECUTING THIS LEASE RIDER TO THE LEASE, TLF DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS

TENANT UNDER THE LEASE UNLESS AND UNTIL TLF EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

4.8 All notices pursuant to this Lease Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses described above or to such other address as any party to this Deed may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by _____)
as Landlord by its duly authorized officer)
in the presence of:)

Director
(Name of Signatory)

SIGNED by _____)
as Tenant by its duly authorized officer)
in the presence of:)

Director
(Name of Signatory)

SIGNED by TLF Holdings Inc., a Maryland)
corporation, by its duly authorized officer in)
the presence of:)

Officer
(Name of Signatory)

THE LOCAL FRY
FRANCHISE AGREEMENT
EXHIBIT H
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made this _____ day of _____, 20____, by and between _____ (the “**Franchisee**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “**Member**”).

BACKGROUND:

A. TLF Holdings Inc., a Maryland corporation (“**TLF**”) owns a format and system (the “**System**”) relating to the establishment and operation of restaurant businesses operating in buildings that bear Franchisor’s interior and exterior trade dress, under the “The Local Fry” name and marks, which provide eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other such additional products as Franchisor may designate from time to time for on-premises and carry-out consumption (the “**The Local Fry Restaurants**”);

B. TLF and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate one (1) The Local Fry Restaurant (the “**Restaurant**”) and to produce and distribute products and services approved by TLF and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

C. The Member, by virtue of his or her position with Franchisee, will gain access to certain of TLF’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Franchisee’s operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which TLF designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by TLF; or which, at or after the time of disclosure by TLF to

Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of TLF and the System.

(b) Member covenants and agrees that during the term of Member's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by TLF, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with TLF's Proprietary Marks and the System;

(ii) Employ or seek to employ any person who is at that time employed by TLF, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Restaurant.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by TLF, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Restaurant and which business is, or is intended to be, located within a fifteen (15) mile radius of either the Accepted Location or any other Restaurant operating at the time that the obligations under this Agreement commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 13 of the Franchise Agreement with respect to Member; and/or (b) termination of Member's employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause TLF irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by TLF in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect TLF's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the TLF or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that TLF is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20____.

FRANCHISEE

MEMBER

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

EXHIBIT I

FRANCHISEE'S TOTAL MARKETING OBLIGATION

As of the date of the Franchise Agreement, Franchisee's Total Marketing Obligation under Section 10 of the Franchise Agreement and its allocation are:

1.	Advertising Fund (Section 10.2)	____% of Adjusted Gross Sales
2.	Regional Marketing Fund or Co-op (Section 10.5)	____% of Adjusted Gross Sales
3.	Local Store Marketing (Section 10.3)	____% of Adjusted Gross Sales
	TOTAL	____% of Adjusted Gross Sales

The Franchised Business is located in the following Designated Market Area:

—

NOTES:

- (a) Pursuant to Section 10, Franchisor may modify and reallocate the total marketing obligation.
- (b) Regional Co-ops may have the right to set the Regional Co-op contribution and, if some instances, the required contribution may increase Franchisee's Total Marketing Obligation above 5% of Adjusted Gross Sales.
- (c) If a Regional Marketing Fund or a Regional Co-op includes the Franchised Location and Franchisee timely pays the required contribution to that Fund/Co-op, the Local Store Marketing obligation shall be reduced.

Exhibit B

AREA DEVELOPMENT AGREEMENT



THE LOCAL FRY

AREA DEVELOPMENT AGREEMENT

Developer Name

Development Area

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THE LOCAL FRY AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this ____ day of _____, 20__ (“**Effective Date**”) by and between:

- TLF Holdings Inc., a Maryland corporation, whose principal place of business is 711 W. 40th Street, Suite 152, Baltimore, Maryland 21211 (“**Franchisor**”); and
- _____, a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Developer**”).

BACKGROUND:

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of restaurants operating in buildings that bear Franchisor’s interior and exterior trade dress, under the “The Local Fry” name and marks, which provide eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other such additional products as Franchisor may designate from time to time for on-premises and carry-out consumption (the “**The Local Fry Restaurants**” or “**Restaurants**”);

B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design and accessories, products, and procedures for operations; specially developed equipment, equipment layouts, and signage; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “The Local Fry”, and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System (the “**Proprietary Marks**”);

D. Franchisor grants to qualified persons franchises to own and operate The Local Fry Restaurants; and

E. Developer wishes to obtain certain rights to develop The Local Fry Restaurants under Franchisor’s System, within the Development Area specified in this Agreement, and according to the Development Schedule specified in this Agreement; and Developer and Franchisor wish to enter into this Agreement in order to reflect the understandings and agreements that they have reached with respect to the foregoing points and the other matters that are addressed herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. GRANT

1.1 Franchisor hereby grants to Developer the right (and Developer hereby accepts the obligation), pursuant to the terms and conditions of this Agreement, to develop _____ (____) Restaurants in the Development Area (defined below). In this regard, the parties further agree that:

1.1.1 The Restaurants shall be developed by Developer pursuant to the development schedule set forth in Paragraph 2 of Exhibit A attached hereto (the “**Development Schedule**”). If, at any time during the term of this Agreement, Developer fails to satisfy the Development Schedule, Franchisor shall have the right, but not the obligation, to exercise Franchisor’s termination rights pursuant to Section 6 hereof.

1.1.2 Each Restaurant developed under this Agreement shall be established and operated pursuant to a separate The Local Fry Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 3.1 below.

1.1.3 Each Restaurant developed under this Agreement shall be located within the area that is specified in Paragraph 1 of Exhibit A, attached hereto (the “**Development Area**”).

1.2 If Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements and other agreements between Developer (including any affiliate of Developer) and Franchisor (and any of its affiliates), then, except as otherwise provided under Section 1.3 below, Franchisor shall not establish, nor license anyone other than Developer to establish, a Restaurant in the Development Area until the earlier of (a) the termination or expiration of this Agreement, (b) the opening of the last required Restaurant under the Development Schedule, or (c) the last date specified in the Development Schedule.

1.3 Except as otherwise specifically provided under Section 1.2 above, Franchisor retains all other rights, and therefore Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to:

1.3.1 establish, and license others to establish, Restaurants at any location outside the Development Area, notwithstanding such Restaurants’ proximity to any Restaurant operated by Developer within the Development Area, or their actual or threatened impact on sales at such Restaurant(s);

1.3.2 establish, and license others to establish, The Local Fry Restaurants at any institutional or captive audience facilities, including, without limitation, military bases, public transportation facilities, government offices or institutions, educational institutions, health care facilities, toll road or highway rest stops, parks, stadiums, malls, museums, art centers, contract or institutional food service operators, in theaters, warehouse clubs, theme parks, amusement centers, truck stops, or casinos (“**Institutional Facilities**”) within or outside the Development Area, notwithstanding such The Local Fry Restaurants’ proximity to the Development Area, or their actual or threatened impact on sales at Developer’s Restaurants;

1.3.3 establish, acquire or operate, or license others to establish and operate, restaurants or stores under other systems or other proprietary marks, which restaurants or stores

may offer or sell products that are the same as, similar to, or different from, the products and services offered from the Restaurant, and which restaurants or stores may be located within or outside the Development Area, notwithstanding such restaurant's or store's proximity to any Restaurant operated by Developer or their actual or threatened impact on sales at such Restaurant; and

1.3.4 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including the Proprietary Products), services or merchandise from any location or to any purchaser (including, but not limited to, sales made at retail locations, supermarkets, by mail order, and on the Internet), so long as such sales are not conducted from a Restaurant operated from a location inside the Development Area (excluding an Institutional Facility).

1.4 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner Franchisor's Proprietary Marks or System.

1.5 Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

2. DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, Developer shall pay to Franchisor a development fee of Seventeen Thousand Five Hundred Dollars (\$17,500) for each Restaurant to be established pursuant to this Agreement (the "Development Fee"), to be paid to Franchisor on or before the date of this Agreement. Upon signing a Franchise Agreement for each Restaurant to be developed hereunder and paying to Franchisor the initial franchise fee due for such Franchise Agreement, Developer shall be credited the amount of Ten Thousand Dollars (\$10,000), which amount represents the portion of the Development Fee paid for such Restaurant pursuant to this Section 2.1.

2.2 Except as otherwise provided in Section 3.1 below, the Development Fee shall be fully earned when received by Franchisor, and shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

2.3 During the Term, Franchisor may, in its sole discretion and upon request, grant Developer extensions on any of the prescribed deadlines in this Agreement in full-month increments. Developer must request from Franchisor an extension of the applicable deadline at least fourteen (14) calendar days before the deadline date, and provide the number of full months of extensions requested. If Franchisor grants an extension on any deadline, Franchisor will determine the length of the extension in its sole discretion, not to exceed the number of full months requested by Developer, and Developer shall pay an extension fee to Franchisor equal to Two Thousand Dollars (\$2,000) per full month to compensate Franchisor for its costs, expenses, and lost opportunities related to the proposed extension (the "Extension Fee"). Franchisor may consider a variety of factors in granting or denying an extension, including the diligence Developer has shown in developing the Franchised Business(es) and the Developer's ability to meet the

Development Schedule previously. The Extension Fee shall be deemed fully earned and non-refundable when due, and will not be credited against any initial franchise fee payable under any franchise agreement.

3. DEVELOPMENT OBLIGATIONS

3.1 Developer shall execute a Franchise Agreement for each Restaurant to be developed hereunder. Notwithstanding the foregoing, Franchisor, in its sole discretion, may permit one or more Franchise Agreements to be executed by entities other than Developer; provided that (a) Developer owns a controlling ownership interest in the franchisee entity; (b) Franchisor approves the ownership structure of, and each owner of more than twenty-five percent (25%) direct or indirect equity interest in, the franchisee entity; and (c) the Developer, or a Principal of Developer approved by Franchisor, executes a guarantee, guarantying to Franchisor the timely payment and performance of the franchisee's obligations under the Franchise Agreement. Each Restaurant shall be located at a site accepted by Franchisor, within the Development Area, as provided in the Franchise Agreement (the "**Accepted Location**"). The Franchise Agreement for the first (1st) Restaurant developed hereunder shall be in the form of the Franchise Agreement attached hereto as Exhibit D, and the Franchise Agreement for each additional Restaurant developed hereunder shall be the form of Franchise Agreement being offered generally by Franchisor at the time each such Franchise Agreement is executed. The initial franchise fee for the first Franchise Agreement shall be the current initial franchise fee charged by Franchisor for single-restaurant franchises, and the initial franchise fee for the subsequent Restaurant developed hereunder shall be two-thirds (2/3) of the then-current initial franchise fee being charged to new single-restaurant franchisees at the time the Franchise Agreement is executed.

3.2 Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule. Failure by Developer to adhere to the Development Schedule shall constitute a default under this Agreement as provided in Section 6.2 hereof. Developer acknowledges and agrees that the time limits and time frames set forth in and inherent in the Development Schedule, and not those in the Franchise Agreement or the Site Selection Addendum to the Franchise Agreement, shall govern Developer's obligations hereunder.

3.3 For each Restaurant to be developed hereunder, Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site acceptance package which shall include a site acceptance form prescribed by Franchisor, an option contract, letter of intent, term sheet, or other evidence satisfactory to Franchisor which describes Developer's favorable prospects for obtaining such site, and such other information or materials as Franchisor may reasonably require. No site shall be deemed accepted unless it has been expressly accepted in writing by Franchisor. Developer hereby acknowledges and agrees that acceptance by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Restaurant or for any other purpose. Acceptance by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Developer and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites

and that, subsequent to acceptance by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site accepted by Franchisor to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Restaurant at a site is based on its own independent investigation of the suitability of the site. For each Restaurant to be developed hereunder, Developer shall execute a lease/sublease that complies with the provisions of Section 1.1 and Exhibit G of the Franchise Agreement, or a binding agreement to purchase the site. Developer acknowledges and agrees that, notwithstanding the execution of the Franchise Agreement and any applicable exhibits and attachments thereto, the selection and acceptance of a site that may become an Accepted Location under a Franchise Agreement shall be governed by this Agreement and Franchisor's site review and acceptance procedures as set forth in Franchisor's confidential operations manuals (the "**Manuals**"), and not the Site Selection Addendum to the Franchise Agreement.

4. TERM

The term of this Agreement and all rights granted hereunder shall expire on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement. This Agreement may not be renewed or extended, and Developer has no right to any renewal, successor or extension term.

5. DUTIES OF THE PARTIES

5.1 Franchisor shall furnish to Developer site selection guidelines, including Franchisor's minimum standards for a location for the Restaurant, and such site selection counseling and assistance as Franchisor may deem advisable.

5.2 Developer accepts the following obligations:

5.2.1 Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

5.2.2 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions of Franchisor, Developer shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

5.2.3 Franchisor shall have the right to require Developer to employ one (1) or more district managers (“**District Managers**”) to supervise the day to day operations of Developer’s Restaurants, if Developer (and/or an affiliate of Developer) operates three (3) or more Restaurants. Any District Manager(s) shall be required to attend and successfully complete (to Franchisor’s reasonable satisfaction) such training course as Franchisor may reasonably require.

5.3 Prior to the opening of the first Restaurant hereunder, Developer (or, if Developer is a corporation, partnership, limited liability company, or limited liability partnership, one of Developer’s Principals who is designated to supervise the operation of the Restaurants developed hereunder and who has been previously approved by Franchisor (the “**Operating Partner**”)) shall attend and successfully complete, to Franchisor’s satisfaction, Franchisor’s initial training program. Developer shall at all times be under the active full-time management (not necessarily on the premises of any particular Restaurant established hereunder) of the Operating Partner, or at least one (1) of Developer’s Principals who has successfully completed (to Franchisor’s satisfaction) Franchisor’s initial training program.

5.4 With respect to the operation and financial condition of Developer, Developer shall adopt, until otherwise specified by Franchisor, a fiscal year consisting of not less than twelve (12) accounting periods of four or five weeks each, which coincides with Franchisor’s then-current fiscal year, as specified by Franchisor. Developer shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination or expiration of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. In addition, Franchisor reserves the right to require that Developer comply with and satisfy any or all of the following:

5.4.1 Developer shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Developer), on a compilation basis, prepared by an independent certified public accountant satisfactory to Franchisor, no later than April 15th of each year for the preceding fiscal year of Developer.

5.4.2 No later than the fifteenth (15th) day of each accounting period during the term of this Agreement, Developer shall submit to Franchisor, in a format acceptable to (or, at Franchisor’s election, specified by) Franchisor: (i) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited); (ii) reports of those income and expense items which Franchisor specifies from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees and/or developers, provided that Franchisor will not identify to prospective franchisees and/or developers any specific financial results of Developer; and (iii) copies of all state sales tax returns for Developer. If required by Franchisor, Developer shall use on-line or other electronic accounting and reporting systems as Franchisor may specify periodically.

5.5 Each present and future: (i) shareholder of a corporate Developer; (ii) member of a limited liability company Developer; (iii) partner of a partnership Developer; or (iv) partner of a limited liability partnership Developer; with at least a ten percent (10%) ownership interest in Developer, shall jointly and severally guarantee Developer's performance of each and every provision of this Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit B; provided, however, that no guarantee shall be required from a person who acquires Developer's securities (other than a controlling interest) if and after Developer becomes registered under the Securities Exchange Act of 1934.

6. DEFAULT

6.1 Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; or if Developer is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Restaurant developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Developer acknowledges and agrees that time is of the essence, and that Developer has agreed to strict compliance with the Development Schedule. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.4 below, without affording Developer any opportunity to cure the default, effective immediately upon the provision of notice to Developer (in the manner provided under Section 9 hereof);

6.2.1 If Developer misses a deadline set forth in the Development Schedule.

6.2.2 If the Franchise Agreement for any Restaurant operated by Developer (or a Principal or entity affiliated with Developer) is terminated pursuant to Section 14 of the Franchise Agreement.

6.3 Except as otherwise provided in Sections 6.1 and 6.2, above, if Developer fails to comply with any material term or condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or a person or entity affiliated with or controlled by the Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating

the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Restaurants) will terminate without further notice to Developer, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

6.4 If Franchisor is entitled to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, Franchisor shall have the right to undertake any one or more of the following actions instead of terminating this Agreement:

6.4.1 Franchisor may terminate or modify any rights that Developer may have with respect to "exclusivity" or protection in the Development Area, as granted under Section 1.2 above, effective ten (10) days after delivery of written notice thereof to Developer; and/or

6.4.2 Franchisor may modify, or eliminate completely, the Development Area described in Section 1.1 above and in Exhibit A.

6.4.3 If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 6.4, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, and Franchisor shall have the right to retain all Development Fees paid by Developer, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

6.5 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Restaurants for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Restaurants in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer).

6.6 No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

6.7 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7. TRANSFERS

7.1 Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

7.2 If Developer is a corporation, limited liability company, partnership, or limited liability partnership, each person or entity that has any direct or indirect ownership interest in Developer (“**Principal**”), and the interest of each Principal in Developer, shall be and is identified in Exhibit C hereto. Developer represents and warrants that its Principals are as set forth on Exhibit C attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Developer, to change without complying with this Agreement. Franchisor shall have the right to designate any person or entity which owns a direct or indirect interest in Developer as a Principal, and Exhibit C shall be so amended automatically upon notice thereof to Developer. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Developer.

7.3 Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted the rights described in this Agreement in reliance on Developer’s or Developer’s Principals’ business skill, financial capacity, and personal character. Accordingly:

7.3.1 Developer shall not, without the prior written consent of Franchisor, transfer, pledge, or otherwise encumber: (a) the rights and obligations of the Developer under this Agreement; or (b) any material asset of Developer.

7.3.2 If Developer is a corporation or limited liability company, Developer shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

7.3.3 If Developer is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Developer.

7.3.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Developer as shown in Exhibit C.

7.4 Franchisor shall not unreasonably withhold any consent required by Section 7.3; provided, if Developer proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Developer, Franchisor shall have absolute discretion to require any or all of the following as conditions of its approval:

7.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules;

7.4.2 The transfer shall be accompanied by a transfer of all franchise agreements with Franchisor and rights to all Restaurants operated thereunder and owned by Developer to the same transferee;

7.4.3 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer; and, if the obligations of Developer were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

7.4.4 After the transfer, the Principals of the Developer shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the business of Developer, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business;

7.4.5 If a proposed transfer would result in a change in control of the Developer, at Franchisor's option, the transferee or the new developer controlled by the transferee shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System Developers, and such other ancillary agreements required by Franchisor for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement;

7.4.6 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

7.4.7 The transferee shall have the same training obligations as set forth for Developer in Section 5.4;

7.4.8 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement;

7.4.9 If a proposed transfer would result in a change in control of Developer, and to compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Developer shall pay Franchisor a transfer fee in the amount of fifty percent (50%) of the then-current Development Fee being charged to new developers under the System at the time of transfer. The transfer fee shall be paid in addition to any transfer fees due and payable under any Franchise Agreements due to the transfer or assignment of any Franchise Agreement, or ownership interest in franchisees or Franchise Agreements, that are transferred in connection with the same transaction. Developer shall not be required to pay a transfer fee if the transfer has the effect of transferring less than ten percent (10%) interest in Developer to the Operating Partner or other approved general manager.

7.5 Right of First Refusal. If Developer or any Principal desires to accept any *bona fide* offer from a third party to purchase Developer, any material assets of Developer, or any direct or indirect interest in Developer, Developer or such Principal shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor.

7.5.1 Any material change in the terms of the offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 7.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7, with respect to a proposed transfer.

7.5.2 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Developer, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer. The cost of any such appraisal shall be shared equally by Franchisor and Developer.

7.6 Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

7.7 Upon the permanent disability of any Principal with a controlling interest in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 7 within six (6) months after notice to Developer. **"Permanent Disability"** shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed

permanently disabled for the purposes of this Section 7.7 as of the date of refusal. Franchisor shall pay the cost of the required examination.

7.8 Upon the death or permanent disability of any Principal of Developer, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any inter vivos transfer.

7.9 Franchisor's consent to a transfer which is the subject of this Section 7 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

7.10 If Developer or any person holding any interest (direct or indirect) in Developer becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Developer, Developer's obligations and/or rights hereunder, any material assets of Developer, or any indirect or direct interest in Developer shall be subject to all of the terms of this Section 7, including without limitation the rights set forth in Sections 7.3, 7.4, and 7.5 above.

8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer or the Operating Partner (or one (1) designated Principal or management employee who will assume primary responsibility for the operations of Developer and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership corporation or entity:

8.2.1 Divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.3 Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, during the term of this Agreement, or for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity), own, maintain, operate, engage in, or have any interest in any restaurant business which is the same as or similar to a The Local Fry Restaurant and which business is, or is intended to be, located within the Development Area, or within a fifteen (15) mile radius of either the Development Area or any other The Local Fry Restaurant operating at the time that the obligations under this Section 8.3 commence.

8.4 Section 8.3 above shall not apply to ownership by Developer of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 At Franchisor’s request, Developer shall require and obtain execution of covenants similar to those set forth in Sections 7 and 8 (as modified to apply to an individual) from any or all of the following persons: Developer’s Principals and designated management employees. The covenants required by this Section 8.5 shall be in the form provided in Exhibit E to this Agreement. Failure by Developer to obtain execution of a covenant required by this Section 8.5 shall constitute a default under Section 6.3 hereof.

8.6 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Developer’s consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.8 Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Developer acknowledges that Developer's violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

9. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

10. PERMITS AND COMPLIANCE WITH LAWS

10.1 Developer shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

10.2 Developer shall notify Franchisor in writing within five (5) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the business contemplated hereunder or the financial condition of Developer, or give rise to liability or a claim against Developer or Franchisor.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

11.2 At all times during the term of this Agreement and any extensions hereof, Developer shall hold itself out to the public as an independent contractor operating the business pursuant to this Agreement.

11.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising therefrom against Developer or Franchisor.

11.4 Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, employees, and agents, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer's operation of the business conducted under this Agreement, or Developer's breach of this Agreement, including, without limitation, those alleged to be caused by Franchisor's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction, as well as the costs, including attorneys' fees, of defending against them. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Developer in which Franchisor is not a party, Developer shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Developer acknowledges and agrees that Developer's indemnification and hold harmless obligations under this Section 11.4 shall survive the termination or expiration of this Agreement.

12. APPROVALS AND WAIVERS

12.1 Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

12.2 Developer acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

12.3 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer under any of the terms, provisions, covenants, or conditions of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Developer, or as to subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, provisions, covenants, or conditions of this Agreement.

13. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede all prior agreements. No other representations have induced Developer to execute this Agreement; provided however, that nothing in this Agreement is intended to disclaim the representations made in the franchise disclosure document. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

14. SEVERABILITY AND CONSTRUCTION

14.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 7 hereof, any rights or remedies under or by reason of this Agreement.

14.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

14.4 All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

14.5 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

14.6 All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

15. APPLICABLE LAW

15.1 Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Maryland, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Maryland choice-of-law rules); provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Maryland, and the Development Area is located outside of Maryland, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, consumer protection, or similar law, rule, or regulation of Maryland to which this Agreement would not otherwise be subject.

15.2 VENUE. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY DEVELOPER AGAINST FRANCHISOR IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT WITHIN SUCH STATE AND IN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED. ANY ACTION BROUGHT BY FRANCHISOR AGAINST DEVELOPER IN ANY COURT, WHETHER FEDERAL OR STATE, MAY BE BROUGHT WITHIN THE STATE AND JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED. THE PARTIES AGREE THAT THIS SECTION 15.2 SHALL NOT BE CONSTRUED AS PREVENTING EITHER PARTY FROM REMOVING AN ACTION FROM STATE TO FEDERAL COURT. DEVELOPER HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. ANY SUCH ACTION SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION.

15.3 Mediation. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 15.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

15.3.1 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “**complainant**”) providing written notice of the request for mediation (the “**request**”) to the party with whom mediation is sought (the “**respondent**”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

15.3.2 Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear their own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

15.4 No Exclusive Remedies. No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

15.5 Injunctive Relief. Nothing herein contained shall bar Franchisor’s right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

15.6 WAIVER OF JURY TRIAL; LIMITATIONS ON ACTIONS. FRANCHISOR AND DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR

COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF DEVELOPER AND FRANCHISOR, OR DEVELOPER'S OPERATION OF THE BUSINESS CONTEMPLATED HEREUNDER, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED.

15.7 WAIVER OF DAMAGES. FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

16. ACKNOWLEDGMENTS

16.1 Developer acknowledges that it received a complete copy of this Agreement and the Exhibits hereto, with all of the blank lines herein filled in, at least seven (7) business days prior to the date on which this Agreement was executed. Developer further acknowledges that it received the franchise disclosure document required by the Federal Trade Commission Franchise Rule, 16 C.F.R. Part 436, at least fourteen (14) days prior to the date on which this Agreement was executed.

16.2 Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

16.3 Developer and its Principals represent and warrant to Franchisor that: (a) neither Developer nor any of its Principals have made any untrue statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither Developer nor any of its Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in its application materials; and (c) neither Developer nor its Principals have been designated as suspected terrorists under U.S. Executive Order 13244. Developer recognizes that Franchisor approved Developer in reliance on all of the statements Developer and its Principals have made in connection therewith, and that Developer has a continuing obligation to advise Franchisor of any material changes in these statements and representations made to Franchisor in this Agreement or in the application materials.

16.4 Although Franchisor retains the right to establish and periodically modify System standards, which Developer has agreed to maintain in the operation of the business contemplated hereunder, Developer retains the right and sole responsibility for the day-to-day management, operation, implementation and maintenance of system standards in the business contemplated hereunder.

16.5 Developer acknowledges that Franchisor may modify the offer of its franchises, franchise agreements and development agreements to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the date first above written.

TLF Holdings Inc., a Maryland corporation
Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

TLF Holdings Inc., a Maryland corporation
711 W. 40th St., Ste 152
Baltimore, MD 21211
Telephone: (410) 559-9940
Fax: (____) _____
Email: _____
Attn: _____

Telephone: _____
Fax: _____
Email: _____
Attn: _____

**THE LOCAL FRY
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT A
DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Development Area. All Restaurants developed under this Development Agreement shall be located within the boundaries of the following area:

2. Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule set forth below:

Cumulative Total Number of Restaurants Which Developer Shall Have Open and in Operation	Date by which site is to be approved by Franchisor	Date by which site has been leased or purchased	Date by which Restaurant must be open and operating.

INITIALED:

FRANCHISOR: _____ DEVELOPER: _____

**THE LOCAL FRY
DEVELOPMENT AGREEMENT**

**EXHIBIT B
GUARANTEE**

As an inducement to TLF Holdings Inc., a Maryland corporation (“**Franchisor**”) to execute The Local Fry Area Development Agreement between Franchisor and _____ (“**Developer**”) dated _____, 20__ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Developer’s monetary and other obligations under the Agreement will be punctually paid and performed.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor, Franchisor’s affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge the provisions of Section 16 of the Agreement, and expressly agree to be individually bound by all of the covenants contained in Sections 7 and 8 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “The Local Fry” marks or system licensed to Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be governed, interpreted, and construed in accordance with Sections 14 and 15 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

Guarantor(s)

Percentage of Ownership in
Developer

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____
Address: _____

**THE LOCAL FRY
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT C
LIST OF PRINCIPALS**

Name of Principal	Address and Telephone	Email address	Principal Occupation	Interest %

INITIALED:

FRANCHISOR: _____ DEVELOPER: ____

**THE LOCAL FRY
DEVELOPMENT AGREEMENT**

**EXHIBIT D
FRANCHISE AGREEMENT**

The form of Franchise Agreement currently offered by Franchisor is attached.

THE LOCAL FRY
DEVELOPMENT AGREEMENT
EXHIBIT E
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this _____ day of _____, 20____, by and between _____ (the “**Developer**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the “**Individual**”).

RECITALS:

WHEREAS, TLF Holdings Inc., a Maryland corporation (“**TLF**”) owns a format and system (the “**System**”) relating to the establishment and operation of restaurant businesses operating in buildings that bear TLF’s interior and exterior trade dress, under the “The Local Fry” name and marks, which provide eclectic offering of topped fries, wings, rice bowls, and sandwiches, on a take-out basis or to be eaten in the restaurant, and other such additional products as Franchisor may designate from time to time for on-premises and carry-out consumption (the “**The Local Fry Restaurants**”);

WHEREAS, TLF and Developer have executed a Development Agreement (“**Development Agreement**”) granting Developer the right to develop one or more Restaurants and, ultimately, to sign Franchise Agreements to operate Restaurants, at which Restaurants Developer (acting as the “Franchisee” under the Franchise Agreement) will provide products and services approved by TLF, and will use the Proprietary Marks in connection therewith, under the terms and conditions of the Development Agreement;

WHEREAS, Individual, by virtue of his or her position with Developer, will gain access to certain of TLF’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Development is bound by.

IN CONSIDERATION of these promises, Individual’s employment with Developer, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Individual shall not, during the term of the Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Individual or of which Individual may be apprised by virtue of Developer’s operation under the terms of the Development Agreement. Any and all information, knowledge, know-how, and techniques which TLF designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to its attention prior to disclosure thereof by TLF; or which, at or after the time of disclosure by TLF to

Developer, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Individual specifically acknowledges that, pursuant to the Development Agreement, and by virtue of its position with Developer, Individual will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of TLF and the System.

(b) Individual covenants and agrees that during the term of the Development Agreement, except as otherwise approved in writing by TLF, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Restaurant or of any Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by TLF, Developer, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any restaurant business which is the same as or similar to a The Local Fry Restaurant.

(c) Individual covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by TLF, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any restaurant business which is the same as or similar to a The Local Fry Restaurant and which business is, or is intended to be, located within the Development Area (as defined in the Development Agreement) or within a fifteen (15) mile radius of either the Development Area or any other Restaurant operating under the System as of the commencement of the Post-Term Period.

(d) As used in this Agreement, the term “Post-Term Period” shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 of the Development Agreement; (b) expiration or termination of the Development Agreement (regardless of the cause for termination); and/or (c) termination of Individual’s employment with Developer.

3. Injunctive Relief. Individual acknowledges that any failure to comply with the requirements of this Agreement will cause TLF irreparable injury, and Individual agrees to pay all

court costs and reasonable attorney's fees incurred by TLF in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Individual agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect TLF's and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Individual agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the TLF or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Individual hereby acknowledges and agrees that TLF is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

IN WITNESS WHEREOF, Developer and Individual attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20____.

DEVELOPER

INDIVIDUAL

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Exhibit C

LIST OF ADMINISTRATORS

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA California Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677 www.dfpi.ca.gov Ask.DEPI@dfpi.ca.gov	NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8236 Phone
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
MICHIGAN G. Mennen Williams Building, 7th Floor 525 W. Ottawa St. P.O. Box 30212 Lansing, MI 48909 (517) 373-7117	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Office of the Commissioner of Securities 201 W. Washington Ave., Suite 300, Madison, WI 53703 (608) 261-9555

Exhibit D

AGENTS FOR SERVICE OF PROCESS

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA California Commissioner of Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	NEW YORK Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Dept. of Energy, Labor, & Economic Growth Corporations Division P.O. Box 30054 Lansing, Michigan 48909 7150 Harris Drive Lansing, Michigan 48909 (517) 373-7117	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Wisconsin Commissioner of Securities Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300, Madison, WI 53703 (608) 261-9555

Exhibit E

LIST OF FRANCHISEES

As of December 31, 2025:

Existing Franchisees:

- | | | | |
|----|---|-----|---|
| 1. | Bhasker Andhavarapu
28 Sussex Ln
East Windsor, NJ 08520
(609) 575-8989 | *3. | Mahendar Bhimanatini
4718 Monrovia Blvd
Monrovia, MD 21770
(410)758-7075 |
| 2. | Majdi Labwam
513 Timber Springs Ct
Reisterstown, MD 21136
(443) 880-2891 | | Mani Kolisetty
3231 Clear Spring Dr
Ellicott City, MD 21043
(309) 363-4103 |

*Area Developer

Exhibit F

LIST OF EXISTING
COMPANY-OWNED THE LOCAL FRY RESTAURANTS
(as of December 31, 2025)

Company-Owned Restaurants

Baltimore
711 W. 40th St., Suite 152
Baltimore, MD 21211
(667) 210-2633

Exhibit G

FINANCIAL STATEMENTS

TLF HOLDINGS INC.

AUDITED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025, 2024 AND 2023

(With Independent Auditor's Report Thereon)

**George Nwabukwu & Associates
Certified Public Accountants
Adelphi, Maryland**

TLF HOLDINGS INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2025, 204 AND 2023

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George Nwabukwu & Associates, CPAs
7411 Riggs Road, Suite 400
Adelphi, Maryland 20783
Phone: (301) 445-5088 Fax: (301) 445-4365

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of

TLF Holdings Inc

Opinion

We have audited the accompanying balance sheets of TLF Holdings Inc. as of December 31, 2025, 2024 and 2023 and the related statements of income and expenses and changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TLF Holdings Inc. as of December 31, 2025, 2024 and 2023 and the changes in stockholders' equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is 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 TLF Holdings Inc.'s ability to continue as a going concern for the year ended December 31, 2026.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (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, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of this financial statement.

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

George Nwabukwu & Associates, CPAs
Adelphi, Maryland
March 18, 2026

TLF HOLDINGS INC.
BALANCE SHEETS
DECEMBER 31, 2025, 2024 AND 2023

A S S E T S

Current Assets:	2025	2024	2023
Cash and cash equivalents	\$ 4,735	\$ 8,596	\$ 8,441
Other receivables (Unsettled Funds)	32,824	40,000	40,000
Total Current Assets	37,559	48,596	48,441
Other Assets:			
Start-Up Costs, net of accumulated amortization	57,193	51,559	51,559
Total Assets	\$ 94,752	\$ 100,155	\$ 100,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	2025	2024	2023
Current Liabilities			
Accounts Payable and Accrued expenses	\$ 1,872	0	0
Total Current Liabilities	1,872	0	0
Stockholders' Equity			
Common Stock, \$1 Par Value; 100,000 Shares Authorized Shares Issued and Outstanding	100,000	100,000	100,000
Retained Earnings	(7,120)	155	0
Total Stockholders' Equity	92,880	100,155	100,000
Total Liabilities and Stockholders' Equity	\$ 94,752	\$ 100,155	\$ 100,000

See Independent Auditor's Report
The Notes to Financial Statements are an integral part of these statements

TLF HOLDINGS INC.
Statements of Income and Expenses
Years Ended December 31, 2025, 2024 and 2023

	2025	2024	2023
INCOME			
Franchise Fees	\$ 80,000	\$ 60,000	\$ -
Marketing Fees	8,670	0	0
Royalty Income	52,017	0	0
Total Income	140,687	60,000	0
EXPENSES			
Advertising and Marketing/Franchise Shows	36,838	26,564	0
Amortization Expense	4,400	0	0
Meetings	3,533	0	0
Fuel	504	0	0
Bank Service Charges	858	139	0
Accounting Fees	5,885	0	0
Consulting Fees	73,187	28,000	0
Office Supplies and Software	658	0	0
Legal Professional Fees	6,340	5,142	0
Travel and Parking	12,689	0	0
Shipping, Freight and Delivery	2,620	0	0
Taxes and Licenses	450	0	0
Total Expenses	147,962	59,845	-
Net Income (Loss)	\$ (7,275)	\$ 155	\$ -

See Independent Auditor's Report
The Notes to Financial Statements are an integral part of these statements

TLF HOLDINGS INC.
Statements of Changes In Stockholders' Equity
Years Ended December 31, 2025, 2024 and 2023

			2025	2024	2023
	<u>Common</u>	<u>Retained</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Stock</u>	<u>Earnings</u>	<u>Stockholders'</u>	<u>Stockholders'</u>	<u>Stockholders'</u>
			<u>Equity</u>	<u>Equity</u>	<u>Equity</u>
Balance, Beginning of Year	\$ 100,000	\$ 155	\$ 100,155	\$ 100,000	\$ 100,000
New Stock Issued	0	0	0	0	0
Retained Earnings	0	(7,275)	(7,275)	155	0
Balance, End of Year	<u>\$ 100,000</u>	<u>\$ (7,120.00)</u>	<u>\$ 92,880</u>	<u>\$ 100,155</u>	<u>\$ 100,000</u>

See Independent Auditor's Report
The Notes to Financial Statements are an integral part of these statements

TLF HOLDINGS INC.
Statements of Cash Flows
Years Ended December 31, 2025, 2024 and 2023

	2025	2024	2023
<u>Cash flows from operating activities:</u>			
Net Income (Loss)	\$ (7,275)	\$ 155	\$ -
Adjustment to reconcile net income(loss) to net cash flows from operating activities:			
Other receivable	7,176	0	(40,000)
Accounts payable	1,872	0	0
Amortization	4,400	0	0
Net cash used up in operating activities	<u>6,173</u>	<u>155</u>	<u>(40,000)</u>
<u>Cash flows from investing activities:</u>			
Start-Up Costs	(10,034)		(51,559)
Net cash used up in investing activities	<u>(10,034)</u>	<u>0</u>	<u>(51,559)</u>
<u>Cash flows from financing activities:</u>			
Equity stocks sold	0	0	100,000
Net cash used up in financing activities	<u>-</u>	<u>-</u>	<u>100,000</u>
Net increase in cash and cash equivalents	(3,861)	155	8,441
Cash and cash equivalents at beginning	<u>\$ 8,596</u>	<u>8,441</u>	<u>-</u>
Cash and cash equivalents at end	<u>\$ 4,735</u>	<u>\$ 8,596</u>	<u>\$ 8,441</u>

See Independent Auditor's Report
The Notes to Financial Statements are an integral part of these statements

TLF HOLDINGS INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2025, 2024 and 2023

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

TLF Holdings Inc. (the Corporation) was incorporated as a statutory close corporation in March 2023 under the laws of the State of Maryland for the purpose of engaging in and performing any activities or functions which may lawfully be performed by a corporation organized under the General laws of the State of Maryland.

The initial meeting of the Board of Directors of the Corporation was held on March 29, 2023, and at which date the Corporation's President, Treasurer, Vice President and the Secretary were appointed.

All the Corporation's authorized shares were issued and subscribed to.

The Corporation's franchise was approved in late 2023. Since date of approval, minimal business activities had been conducted up to December 31, 2025.

BASIS OF ACCOUNTING

The financial statements of the Corporation were prepared on the accrual basis of accounting, which is U.S. Generally Accepted Accounting Principles. Under this method of accounting, transactions are recognized when the amounts involved are legally binding and enforceable and not necessarily when cash is received or paid.

CASH AND CASH EQUIVALENTS

The Corporation considers all deposits maturing in three months or less to be cash or cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist primarily of cash in banks. The carrying amounts for cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

OFF-BALANCE SHEET RISKS AND CONCENTRATION OF CREDIT RISK

The Corporation maintains cash and cash equivalent accounts at one financial institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2025, the Corporation's accounts were fully insured.

Exhibit H

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FOREWARD

1. INTRODUCTION

- 1.1 Background/History**
- 1.2 Company Vision**
- 1.3 Mission Statement**
- 1.4 Core Values, Corporate Philosophies and Goals**
- 1.5 Corporate Management Listing**

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- 2.1 Franchise Disclosure Document, Franchise Agreement, and Franchise Fee**
- 2.2 Qualifications of the Franchisee**
- 2.3 General Responsibilities of the Franchisee**
- 2.4 Components of the Franchise Process**
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 - Site Selection and Development
 - Lease Negotiation
 - Exterior and Interior Layout Standards
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 - Timetable to Open
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 - Progress Report and Post-Grand Opening
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- 3.2 General Guidance**
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- 3.6 Planning and Production**
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APPENDICES

APPENDIX A: Franchise Disclosure Document Table of Contents
APPENDIX B: Staffing Levels
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Exhibit I

STATE-SPECIFIC DISCLOSURES

1. Illinois
2. Maryland
3. New York
4. Virginia

**ADDENDA REQUIRED BY
THE STATE OF ILLINOIS
ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS**

1. **Risk Factors, Cover Page.** The following statement is added at the end of the first risk factor on the State Cover Page:

SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT THAT DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID WITH RESPECT TO ANY CAUSE OF ACTION WHICH OTHERWISE IS ENFORCEABLE IN ILLINOIS.

2. **ITEM 5.** ITEM 5 of the Disclosure Document is amended as follows: the language under the heading “Franchise Fee,” and the first paragraph under the heading “Development Fee,” shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

Initial Franchise Fee

For each Restaurant to be located in the State of Illinois, or for Franchisees who are Illinois residents (if the Franchisee is an individual residing in Illinois or if the Franchisee is an entity with its principal place of business in Illinois), the payment of the initial franchise fee and development fees and any other initial payment will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition. You must pay us the entire initial franchise fee the day that the Restaurant opens for business. Failure to pay this amount will be a default under the Franchise Agreement and will be grounds for termination upon written notice to you. Except as described below, payment of the initial franchise fee will be non-refundable in consideration of administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others. Except as set forth in this Item 5, the initial franchise fee is uniform. The highest and lowest initial franchise fees actually paid to us during our last complete fiscal year was \$35,000.

Development Fee

For Development Agreements to be located in the State of Illinois, or for Developers who are Illinois residents (if the Developer is an individual residing in Illinois or if the Developer is an entity with its principal place of business in Illinois), the payment of the Initial and Development Fee and any other initial payment will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Attorney General due to our financial condition. You must pay us the entire initial Development Fee the day that the first Restaurant opens for business.

During our last complete fiscal year we did not sell any Development Agreements; therefore, there is neither a high nor low amount paid for Development Fees. Under the Development Agreement, you must agree to establish at least two Restaurants.

2. **Item 17, Additional Disclosures.** The following statement is added to Item 17:

Any provision in the Development Agreement or the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action that is otherwise enforceable in Illinois. In addition, Illinois law will govern the Development Agreement and the Franchise Agreement.

The conditions under which the Development Agreement or Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.

Maryland Disclosure

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for use in the State of Maryland shall be amended as follows:

1. Item 5, the following language is added under the heading “Franchise Fee” and “Development Fee”:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language:

The general releases required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchise Agreement permits you to sue only in the jurisdiction in which we maintain our principal place of business (which is currently, Maryland), except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law, and for those claims, you may file suit in Maryland.

3. 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.

New York Disclosure

1. Item 3: LITIGATION, Neither the franchisor, its predecessor, a person identified in item 2, nor an affiliate offering franchises under the franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4, BANKRUPTCY, Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the bankruptcy code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. The following disclosures in Item 17 replace those disclosures contained in the FDD:

Item 17, *Renewal, Termination*, section d, the franchisee may terminate the agreement on any grounds available by law.

Item 17, *Renewal, Termination*, etc., section j, *Assignment*:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

Item 17, *Renewal, Termination*, section w:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

Virginia Disclosure

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the development agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$556,500 to \$755,500. This amount exceeds the franchisor’s stockholders’ equity as of December 31, 2025, which is \$94,880.

Exhibit J

AGREEMENT AMENDMENTS

1. Illinois
2. Maryland
3. New York

**ADDENDUM TO THE LOCAL FRY DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS DEVELOPERS**

This Addendum to TLF Holdings Inc Development Agreement dated _____
("Development Agreement") between TLF Holdings Inc ("Franchisor") and _____
("Developer") is entered into simultaneously with the execution of the Development Agreement.

1. Section 2.1 of the Agreement, under the heading "Development Fee," the following shall be added at the end of the Section:

For Development Agreements to be located in the State of Illinois, or for Developers who are Illinois residents (if the Developer is an individual residing in Illinois or if the Developer is an entity with its principal place of business in Illinois), the payment of the Initial and Development Fee and any other initial payment will be deferred until Franchisor has met its initial obligations to Developer, and Developer has commenced doing business. This financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

2. The following sentence is added to the end of Section 15.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.

3. The following sentence is added at the end of Section 15.1:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

4. The following sentence is added to the end of Sections 15.7 and 16:

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.

5. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

THE LOCAL FRY:
TLF Holdings Inc

DEVELOPER:

By: _____
Print Name: _____
Title: _____
Date: _____

Date: _____

**ADDENDUM TO THE LOCAL FRY FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to TLF Holdings Inc Franchise Agreement dated _____
("Franchise Agreement") between TLF Holdings Inc ("Franchisor") and _____
("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. Section 4.1 of the Agreement, under the heading "Initial Franchise Fee," the following shall be added at the end of the Section:

For Restaurants to be located in the State of Illinois, or for franchisees who are Illinois residents (if the Franchisee is an individual residing in Illinois or if the Franchisee is an entity with its principal place of business in Illinois), the payment of the Initial Franchise Fee and Development Fees and any other initial payment will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

2. The following sentence is added to the end of Section 24.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.

3. The following sentence is added at the end of Section 24.1:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

4. The following sentence is added to the end of Sections 24.8 and 25:

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

THE LOCAL FRY:
TLF Holdings Inc

FRANCHISEE:

By: _____
Print Name: _____
Title: _____
Date: _____

Date: _____

Maryland Franchise Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Local Fry Franchise Agreement (the “Agreement”) agree as follows:

1. Based upon the Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until the Franchisor completes its pre-opening obligations under the Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Section 2.2.7 of the Agreement, under the heading “Term And Renewal,” shall be amended to add the following:

The release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law;

3. Section 13.4.1 of the Agreement, under the heading “Transfer Of Interest,” shall be amended to add the following:

The release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law;

4. Sections 24.2 and 24.7 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be amended to add the following:

Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Section 25 of the Agreement, under the heading “Acknowledgments,” shall be supplemented by the following:

25.5 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

25.6 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.

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

TLF Holdings Inc., a Maryland corporation

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Maryland Area Development Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Local Fry Area Development Agreement (the "Agreement") agree as follows:

1. Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Development Agreement opens.

2. Section 7.4.1 of the Agreement, under the heading "Transfers," shall be amended to add the following:

The release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law;

3. Sections 15.2 and 15.6 of the Agreement, under the heading "Applicable Law," shall be amended to add the following:

Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. Section 16 of the Agreement, under the heading "Acknowledgments," shall be supplemented by the following:

16.10 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

TLF Holdings Inc., a Maryland corporation

Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

LOCAL FRY FRANCHISING CORPORATION
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR USE IN NEW YORK ONLY

1. Section 2.2.7 is hereby amended to add the following:

; provided, however that all rights enjoyed by the franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.

2. Section 24.1 is hereby amended to add the following:

THE FOREGOING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON FRANCHISEE BY THE PROVISIONS OF ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK.

To the extent this Addendum shall be deemed to be inconsistent with any terms of the Franchise Agreement or Exhibits or attachments thereto, the terms of this Addendum shall govern.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

TLF Holdings Inc., a Maryland corporation

Franchise Owner:

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT K

FORM OF GENERAL RELEASE

EXHIBIT K
FORM OF GENERAL RELEASE

The following is our current general release that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

The undersigned Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless TLF Holdings Inc., a Maryland corporation, The Local Fry, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the “**Franchisor Group**”), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of The Local Fry Restaurant. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’, and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or The Local Fry Restaurant. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

Franchisee Entity:

By: _____

Name: _____

Title: _____

Individual signatures:

Print Name: _____

Print Name: _____

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
Maryland	
Virginia	

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.

EXHIBIT L

RECEIPTS

ITEM 23 • RECEIPT
(To be retained by Franchisee)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If TLF Holdings Inc., a Maryland corporation, 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 and Rhode Island require 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 payment of any consideration, whichever occurs first.

If TLF Holdings Inc., a Maryland corporation, does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C.

The franchise sellers are Kevin Irish, Elizabeth Irish and Paul Stratmeyer, who are employed by TLF Holdings Inc., a Maryland corporation, located at 711 W. 40th St., Ste 152, Baltimore, MD 21211 and its telephone number is 443-528-7077. Any additional individual franchise sellers involved in offering the franchise are: _____

Date of Issuance: March 18, 2026.

Our agents authorized to receive service of process for us are listed in Exhibit D.

I have received a disclosure document dated March 18, 2026, that included the following Exhibits:

- | | |
|--|---------------------------------------|
| A Franchise Agreement | G Financial Statements |
| B Area Development Agreement | H Table of Contents for Manual |
| C List of State Administrators | I State-specific Disclosures |
| D Agents for Service of Process | J State-specific Agreement Amendments |
| E List of Current and Former The Local Fry Franchisees | K Form of General Release |
| F List of Existing Company-Owned The Local Fry Restaurants | L Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (please print)

Address: _____

ITEM 23 • RECEIPT

(To be signed, dated, and sent to Franchisor)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If TLF Holdings Inc., a Maryland corporation, 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 and Rhode Island require 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 payment of any consideration, whichever occurs first.

If TLF Holdings Inc., a Maryland corporation, does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C.

The franchise sellers are Kevin Irish, Elizabeth Irish and Paul Stratmeyer, who are employed by TLF Holdings Inc., a Maryland corporation, located at 711 W. 40th St., Ste 152, Baltimore, MD 21211 and its telephone number is 443-528-7077. Any additional individual franchise sellers involved in offering the franchise are: _____

Date of Issuance: March 18, 2026.

Our agents authorized to receive service of process for us are listed in Exhibit D.

I have received a disclosure document dated March 18, 2026, that included the following Exhibits:

- | | |
|--|---------------------------------------|
| A Franchise Agreement | G Financial Statements |
| B Area Development Agreement | H Table of Contents for Manual |
| C List of State Administrators | I State-specific Disclosures |
| D Agents for Service of Process | J State-specific Agreement Amendments |
| E List of Current and Former The Local Fry Franchisees | K Form of General Release |
| F List of Existing Company-Owned The Local Fry Restaurants | L Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (please print)

Address: _____

