

FRANCHISE DISCLOSURE DOCUMENT

SALSARITA'S FRANCHISING, LLC
a Mississippi Limited Liability Company
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Salsarita's Franchising, LLC ("SF") offers franchises for restaurants specializing in fast casual Mexican food, including burritos, soft tacos, quesadillas, fajitas, salads, nachos and other items approved by SF. The restaurants utilize a proprietary, distinctive interior and exterior store design and layout.

The total investment necessary to begin operation of a Salsarita's Fresh Mexican Grill® Restaurant is \$371,400 to \$856,100. This includes \$30,000 that must be paid to us or an affiliate. If we grant you the right to develop two or more Restaurants in a specified area, you will pay an Area Development Fee of \$10,000 for each Restaurant you commit to develop and receive a \$10,000 credit toward the Initial Franchise Fee for each Restaurant that you establish within the development area. The number of outlets to be opened under a development agreement will be determined by you and us at the time you enter into the agreement, but won't be less than two. Under a three-Restaurant development scenario, the total investment necessary to begin operation of your first Restaurant is \$391,400 to \$876,100. This includes \$50,000 that must be paid to us or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Salsarita's Franchising, LLC at 5260 Parkway Plaza Blvd., Suite 160, Charlotte, NC 28217 or 704.540.9447 or franchising@salsaritas.com.

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

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

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

Date of Issuance: April 21, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit J.
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 I 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 Salsarita’s Fresh Mexican Grill® business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be Salsarita’s Fresh Mexican Grill® franchisee?	Item 20 or Exhibit J lists current and former franchisees, if any. 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 B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the any state-specific addenda in this disclosure document. See the Table of Contents for the location of the state-specific addenda, if any.

Special Risks to Consider About *This Franchise*

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only where the franchisor's principal offices are located, which currently is in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.

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.

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.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we,” “us,” “our,” “SF” of “Salsarita’s” means Salsarita’s Franchising, LLC, the franchisor. “You” means the person, corporation, partnership or other entity that buys the franchise. If you are a corporation, partnership or other entity, certain provisions of this disclosure document also apply to your owners and will be noted.

We are presenting, in connection with this disclosure document, the opportunity to become a franchisee and operate a Salsarita’s Fresh Mexican Grill® Restaurant.

Us, Our Parent and Our Affiliates.

We are a Mississippi limited liability company formed on April 19, 2011. Our principal place of business is 5260 Parkway Plaza Blvd, Suite 160, Charlotte, NC 28217. We have been offering franchises for Salsarita’s Fresh Mexican Grill® restaurants since July 19, 2011 although, prior to 2018, the franchises were offered under the name “Salsarita’s Fresh Cantina®”. In this Franchise Disclosure Document, we refer to Salsarita’s Fresh Mexican Grill® restaurants and Salsarita’s Fresh Cantina® restaurants as “**Restaurants**” and a franchise for a Restaurant as a “**Franchise**”. Our agents for service of process in various states are listed in **Exhibit C**. We do business under the names “Salsarita’s Franchising, LLC,” “Salsarita’s®” “Salsarita’s Fresh Cantina®” and Salsarita’s Fresh Mexican Grill®.” We have not offered franchises in any other line of business or engaged in any other business.

We are a wholly-owned subsidiary of Salsarita’s Holdings, LLC (“**Holdings**”), which is a Mississippi limited liability company formed on April 19, 2011 and has the same principal place of business as us. Holdings is managed by Mississippi Restaurant Group, LLC, which is a Mississippi limited liability company formed on October 15, 2010 and has its principal place of business at 1020 Highland Colony Parkway, Suite 1400, Ridgeland, MS 39157.

Our affiliate, Salsarita’s Restaurants, LLC (“**SR**”), is a Mississippi limited liability company formed on April 19, 2011, and is also a wholly-owned subsidiary of Holdings. SR’s principal place of business is the same as ours. SR, both directly and indirectly through its wholly-owned subsidiaries, owns and operates Restaurants, which are used by us from time to time for training our franchisees. SR has not offered franchises in any line of business or engaged in any other business.

Our Business and the Franchises Offered.

SF offers and sells franchises for Salsarita’s Fresh Mexican Grill® restaurants. At your Restaurant, you will serve fast casual Mexican food, including burritos, tacos, quesadillas, salads, nachos and other items approved by us.

The Restaurants operate under a prescribed system (the “**System**”) characterized by a distinctive restaurant layout and design, signage, specifications, and appearance; the SF Operations Manuals (the “**Manuals**”); menus, recipes and formulas; uniform operating methods, procedures and techniques; and other confidential procedures, methods and techniques for inventory and cost controls, record keeping and reporting, purchasing, marketing, sales promotion and advertising.

We offer two types of programs under this disclosure document:

1. Franchise Agreements for you to develop and operate a single location;
2. Development Agreements for you to develop and operate multiple locations.

Depending on our discussions with you, we will determine the appropriate type of program to suit your objectives.

Under the Franchise Agreement (“**Franchise Agreement**”), which is **Exhibit D** to this disclosure document, we offer you the right to establish and operate a Restaurant at a single location within a specified geographic territory. The Franchise Agreement gives qualified purchasers the right to operate the Franchise under the Salsarita’s® mark, Salsarita’s Fresh Mexican Grill® mark and other marks designated by us from time to time (“**Proprietary Marks**”).

Under the Area Development Agreement (“**Development Agreement**”), which is **Exhibit F** to this disclosure document, we offer you the opportunity to open a certain number of Restaurants in an exclusive territory (“**Development Area**”). An area developer must open these Restaurants according to the agreed-upon schedule, sign the then-current Franchise Agreement for each Restaurant (which may differ from the current Franchise Agreement included with this Franchise Disclosure Document), and operate each Restaurant as required under the Franchise Agreement. The minimum number of Restaurants required to be developed under the Development Agreement will be mutually agreed-upon by you and us before you sign the Development Agreement.

Competition.

The restaurant business is highly developed and highly competitive. Your competitors include fast food restaurants, fast casual restaurants, cafes, sandwich shops, casual dining restaurants, specialty food stores and other Salsarita’s Fresh Mexican Grill® restaurants. Franchises typically are located in strip shopping centers, regional malls and freestanding buildings. In addition, we franchise Restaurants at non-traditional locations, such as in airports, on college campuses, and on corporate campuses (“**Non-Traditional Restaurants**”). These Non-Traditional Restaurants also may compete with you. The success of your Franchise will depend in large measure on the specific site you select. Your market will be members of the general population.

Laws and Regulations.

A wide variety of federal, state and local laws, rules and regulations apply to the operation of a restaurant. For example, there are laws, rules, and regulations that govern: (1) the construction, design, maintenance and operation of your Franchise; (2) employee health and safety; (3) food handling, storage and preparation; (4) the health, safety and welfare of your customers; (5) access to your Restaurant by persons with disabilities; (6) advertising; (7) employment practices, labor relations and wages; (8) processing payment transactions; and (9) data privacy and security.

We require that you serve alcohol at your Restaurant, unless you specifically request to refrain from selling alcohol or it is not feasible for you to obtain a liquor license. If you serve alcohol at your Restaurant you may have liability under Dram Shop laws for injuries related to the sale and consumption of alcoholic beverages. You must comply with any and all federal, state, county, municipal, or other local laws and regulations related to the sale of alcohol that may apply to your Restaurant.

You should independently research and review the legal requirements of the restaurant industry with your own attorney before you sign any binding documents or make any investments.

Each of your managers and other employees we designate must be ServSafe (or similar) certified if required by state, county, municipal, or other local law or regulation, or if we inspect your Restaurant and determine that such certifications likely would improve the sanitation standards at the Restaurant.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer: Philip Friedman

Mr. Friedman has served as SF's Chief Executive Officer since June 2011. He also has been Chief Executive Officer of Holdings and SR since June 2011.

Chief Operating Officer: J. Merrick McKinnie

Mr. McKinnie has served as SF's Chief Operating Officer since October of 2020. From January 2007 to August 2020, he served as President of SD Holdings, LLC, a multi-unit restaurant operations company headquartered in Charlotte, NC.

Chief Financial Officer: Timothy A. Carter

Mr. Carter has served as SF's Chief Financial Officer since January 1, 2018. Prior to that he was SF's Chief Administrative Officer since January 2, 2017. Prior to that, he was SF's Vice President of Administration since September 2014. Prior to that, he was SF's Director of Franchise Administration from June 2011 to September 2014.

Franchise Development Consultant: Christopher Cheek

Mr. Cheek is President of Atlantic Franchise Advisors, LLC, a franchise consulting firm, based in Cary, North Carolina. We began using the services of Atlantic Franchise Advisors in October of 2024. From April 2022 to September 2024, he was Chief Development Officer, Modern Restaurant Concepts, Inc. in Denver, Colorado. From July 2021 to October 2021, he was Chief Development Officer, QSR Division for FAT Brands, Inc. in Beverly Hills, California. From October 2019 to July 2021, Mr. Cheek was Chief Development Officer for Global Franchise Group, LLC in Atlanta, Georgia.

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 a Franchise Agreement, you must pay an initial franchise fee of \$30,000 (“**Initial Franchise Fee**”). The Initial Franchise Fee under the Franchise Agreement will be \$30,000, regardless of whether it is paid for a single Restaurant or as part of a Development Agreement. However, if you have paid us an Area Development Fee (defined below) under a Development Agreement, and the Franchise Agreement is for Restaurant to be developed under the Development Agreement, then you will receive a credit toward your Initial Franchise Fee, as described below.

Area Development Fee.

If we offer you the opportunity to develop a minimum number of Restaurants under the Development Agreement, you and we will determine the number of Restaurants you must develop, and the dates by which you must develop them, before signing the Development Agreement. When you sign a Development Agreement, you must pay us an area development fee equal to \$10,000 times the number of Restaurants to be developed under the Development Agreement (“**Area Development Fee**”), sign the Franchise Agreement for your first Restaurant to be developed, and pay us the Initial Franchise Fee for your first Restaurant. Then, for each Restaurant to be developed other than your first Restaurant, you will sign a Franchise Agreement and pay us an Initial Franchise Fee either at the time you sign a lease (or similar binding commitment to real estate) for the Restaurant location or receive our approval of the architectural plans for the location, whichever event occurs earlier. For each Restaurant to be opened under the Development Agreement, \$10,000 will be credited towards the Initial Franchise Fee. The number of Restaurants to be opened under the Development Agreement will be determined by you and us at the time you enter into the agreement, but won’t be less than two.

For example, if you were signing a Development Agreement for three Restaurants, you would pay us \$50,000 when you sign the Development Agreement, which is an Area Development Fee of \$30,000 (\$10,000 times three Restaurants) plus \$20,000 for the first Restaurant (Initial Franchise Fee of \$30,000 with \$10,000 credit applied). In addition, you would pay us \$20,000 (Initial Franchise Fee of \$30,000 with \$10,000 credit applied) upon the lease signing or our approval of architectural plans for the second Restaurant and \$20,000 (Initial Franchise Fee of \$30,000 with \$10,000 credit applied) upon the lease signing or our approval of architectural plans for the third Restaurant.

Other Fees.

We may provide one on-site evaluation, not to last more than two days, at no cost to you. However, if we provide additional on-site evaluations, you must reimburse us for all costs and expenses that we incur, including travel, lodging and meal expenses. You must also pay us a fee of \$500 per day for each SF employee or agent performing the additional evaluation services.

Application of Payments.

All initial fees, including the Initial Franchise Fee and Area Development Fee, are non-refundable. Proceeds from the Initial Franchise Fee and Area Development Fees go into our general fund and are partly used to compensate us for the loss of deferred opportunity to franchise other locations and pay or defray some of the costs we may incur as a result of: 1) screening and approving prospective franchisees; 2) providing advice and assistance to franchisees; 3) incurring legal fees, accounting fees, and other costs to comply with the federal and state laws governing this offering; 4) developing, registering, and protecting

the Proprietary Marks; 5) prior research and development relating to the System; 6) prior development of our training programs; new restaurant training, or on-going training; and 7) marketing and general administrative expenses.

ITEM 6

OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty and Advertising Fees			
Royalty Fee	5%-6% of Net Revenues	As specified in the Manuals; the Royalty Fee is due weekly on Wednesday of each week	Payable under Franchise Agreement only. See Note 1 below.
Advertising Contributions, which are made up of the following:	Up to 6% of Net Revenues. 2.0% of Net Revenues as follows:	As specified in the Manuals; paid at the same time as the Royalty Fee	Payable under Franchise Agreement only. Divided among Creative Fund, National Ad Fund, Regional Co-ops and Local Store Marketing. See Note 2 below.
Creative Fund	2% of Net Revenues		See Note 2 below.
National Ad Fund	Not Applicable.		We have the right to establish a National Ad Fund
Regional Co-op	Not Applicable		We have the right to establish a regional advertising cooperative in an area in which your Restaurant is located.
Local Store Marketing	Not Applicable.		At our request, you must pay us the required amount and we will reimburse you for approved expenditures up to the amount we collected from you.
Third-Party Fees			

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Merchant Processing and Gift Card Program	Merchant processing fees are established by the processing vendor. They are estimated to range on a blended basis between 1.5% and 3.5% of the purchase total. Gift Card program is estimated to be \$40 per month at the time you open the franchise	As incurred	You are required to use our designated merchant processing and gift card provider. Fees are based on your contractual arrangement with the vendor at the time the fee is incurred.
Online Ordering Platform	Fees fluctuate based on order volume, marketplace partnership activity. \$105 per month (base pricing for standard menu) plus \$50 per month for catering menu plus a per order fee. The average expense in 2024 was \$263 per location per month.	As incurred	Our integrated systems online ordering platform provides online ordering capability on the salsaritas.com website as well as the Salsarita's Application for Android and IOS. Fees are based on your contractual arrangement with the vendor at the time the fee is incurred.
Point-of-Sale Software Subscription	Amount imposed by the vendor; Estimated to be \$180 per month at the time you open the franchise	Monthly	You must purchase and use the software subscription that we designate to operate your point-of-sale system.
Credit Card Processing & Gateway Fees	Gateway fees are estimated at \$55 per month. Merchant fees are based upon sales volume and the particular mix of card types used by a location's customers. The average monthly expense in 2024 was \$1,670.	Monthly	You must use the integrated payment gateway and merchant processing system that we designate. Fees are based on your contractual arrangement with the vendor at the time the fee is incurred.
PCI Compliance Service Fees	Amount imposed by the vendor; estimated to be \$97 per month at the time you open the franchise	Monthly	You must use the vendor we designate to assist you with PCI compliant operations and transactions.
Anti-Virus Software Subscription	Amount imposed by the vendor; Estimated to be between \$120 and \$150 per year at the time you open the franchise	As incurred	You are required to maintain anti-virus software for your computer system.

Contingent Fees

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Guest Satisfaction Programs	If implemented, all costs associated with guest satisfaction programs.	On demand	If implemented, you must participate in programs initiated to verify customer satisfaction and operational compliance. Currently, the guest satisfaction program is funded out of the Creative Fund.
Late Payment Fee	\$100 per incident plus 1½% interest per month, or maximum allowed by law	When payment is overdue	See Note 3 below.
Additional Training Fees	\$250 per person per day	On demand	Payable under Franchise Agreement only. SF provides initial training for three persons for approximately 27 days as part of the Franchise Fee. See Note 4 below.
Consulting Fees	\$500 per day per person providing assistance plus costs and expenses	On demand	Payable only if you request additional consulting services and services are rendered on your Franchise's premises.
Renewal Fee (Franchise Agreement)	The higher of 30% of (a) then-current Initial Franchise Fee or (b) the Initial Franchise Fee you originally paid.	On signing new Franchise Agreement	
Transfer Fee (Franchise Agreement)	30% of then-current Initial Franchise Fee if the transfer is to an existing franchisee or an entity controlled by equity owners of an existing franchisee or 100% of then-current Initial Franchise Fee if the transfer is not to an existing franchisee or an entity controlled by equity owners of an existing franchisee.	Before transfer is effective	
Transfer Fee (Area Development Agreement)	Up to \$10,000 for each Restaurant to be developed.	Before transfer is effective	This is in addition to any transfer fees under any existing franchise agreements.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Attorneys' Fees and Costs	Actual fees and costs	After adjudication of legal matter or your failure to comply with the agreement	See Note 5 below.
Supplier Approval	A fee not to exceed the cost of inspection and actual cost of testing	On demand	See Note 6 below.
Accounting Fees	A fee equal to our costs in preparing the financial statements on your behalf	On demand	See Note 7 below.
Audit Costs	Actual costs of audit plus interest on overdue amount	On demand	See Note 8 below.
Relocation Fee (Franchise Agreement)	\$7,500	At time a relocation request is made	See Note 9 below.
Liquidated Damages	Three times the average annual Royalty Fees paid or due under the Franchise Agreement during the calendar year immediately prior to the termination	On demand	See Note 10 below.
Indemnification	Amount of our fines, losses, damages, costs and expenses	On demand	See Note 11 below.
Local advertising customization	A fee ranging from \$50 to \$150 per hour to cover the cost of preparation.	As incurred	If you request that we assist you in preparing local advertising material, we may charge you a reasonable fee for the work.
Insurance Deficiency	Cost of procuring insurance plus 10% of the premium	On demand	See Note 12 below.

NOTES:

The table above describes fees and payments that are payable to us, or imposed or collected in whole or in part for a third party by us, relating to the operation of your Franchise. Unless otherwise indicated, all fees are uniformly imposed. With the exception of local marketing expenditures (for which we may reimburse you subject to certain conditions), none of the fees are refundable under any circumstances.

1. As of the date of this disclosure document, the Royalty Fee is 5% of Net Revenues. We have the right to increase the Royalty Fee to 6% of Net Revenues on 30 days' prior notice. Any increase in the Royalty Fee will be uniform to all franchisees as of the date of such increase, except in the case of franchisees located in states that prohibit such increases or whose franchise agreements do not allow such increases.

The term “**Net Revenues**” means all revenue from the sale of all products, including all food and beverage products, all other products or services offered at or from the Restaurant, and all other income and consideration of every kind and nature related to, derived from, or originating from the Restaurant, including off-premises catering and special events, revenue from credit and debit machines, 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 Net Revenues excludes any customer refunds, employee meals, customer discounts, coupon sales, sales taxes, and other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

2. We have the right, following written notice to you, to reallocate your advertising contributions and to increase your advertising contributions; however, we will not increase your advertising obligation by more than 2% of Net Revenues in any calendar year and will not increase it by more than 1% in the same calendar year that we increase the Royalty Fee from 5% to 6% of Net Revenues. In addition, we may not increase your total advertising contributions above 6% of Net Revenues.

3. If you fail to pay any amount owed to SF or any of our affiliates, you will be subject to a late fee of \$100 per incident plus the lesser of 1½% interest per month of the unpaid balance, or the maximum permitted by law.

4. Certain individuals associated with your Franchise must attend and complete our initial training program before the opening of the Restaurant and be present for the on-site training program that we provide during the opening of the Restaurant. We may also periodically conduct additional or refresher training programs and training for new Managers. You are responsible for all out-of-pocket expenses (including travel, lodging and meals) incurred by you and your attendees with respect to our training programs, as well as the salaries, wages, benefits and other employment-related costs incurred in connection with your employees and agents attending such programs. In addition, and except for the first three people that you send to our initial training program, and the on-site training program that we provide during the opening of the Restaurant, you are responsible for a reasonable fee and material costs for each person you send to initial training or any other training program. As of the date of this disclosure document, our training fees range from \$250 to \$500 per day depending on nature of the training and the SF personnel involved in the training. However, we may increase our training fees from time to time.

5. The prevailing party in any legal proceeding between you and SF will have its attorneys’ fees and legal costs paid by the other party in such legal proceedings. Also, if you fail to comply with any provision of the Franchise Agreement or Area Development Agreement, you must reimburse us for the attorneys’ fees and legal costs we incur in addressing your failure.

6. You must use only suppliers we approve. We reserve the right to charge you a fee for reviewing a supplier of any goods that you propose to be used in connection with your Franchise. If SF determines that it is necessary to inspect the supplier’s facilities or conduct tests, SF will require you or the supplier to pay SF’s actual costs incurred for such inspection and testing.

7. On 30 days’ advance notice, we may prepare your required financial statements for you based on information you provide or information that we obtain directly from your computer system and may charge you a reasonable fee in connection with our preparation of your financial statements.

8. If, during an audit, we find that you have under-reported Net Revenues by 5% or more, or the audit is caused by your failure to provide certain supporting records to SF, then you will be required to pay the Royalty Fee on the under-reported Net Revenues, a late fee and the costs of the audit. You must also pay interest on past due amounts.

9. If you wish to relocate your Restaurant, you must obtain our prior written permission and pay a relocation fee. You will also be responsible for all other costs involved in any relocation.

10. Liquidated damages are due and payable on termination of the Franchise Agreement before the expiration of the term, except if you terminate for cause under the Franchise Agreement.

11. You are solely responsible and must indemnify and hold us harmless for all loss, damage, claims or demands arising in connection with your operation of the Restaurant.

12. If you fail to maintain the required insurance coverage to operate the Restaurant, we may, but are not required to, obtain the coverage for you, in which case you will be required to reimburse us for the cost of the policy plus a fee equal to 10% of the cost of the premium to cover our administrative expenses in procuring the policy.

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ITEM 7

ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
(FRANCHISE AGREEMENT)**

TYPE OF EXPENDITURE (NOTE 1)	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$30,000	\$30,000	By certified check	On signing Franchise Agreement	SF
Initial Rent (Note 2)	\$0	\$8,000	As Incurred	On signing lease	Lessor
Initial Inventory (Note 3)	\$6,000	\$8,000	As Incurred	As Arranged	Vendors
Leasehold Improvements (Note 4)	\$250,000	\$427,000	As Incurred	As Arranged	Contractor and subcontractors
Signage (Note 5)	\$16,000	\$ 40,000	As Arranged	As Arranged	Vendors
Furniture, Fixtures & Décor (Note 6)	\$57,000	\$92,000	As Arranged	As Arranged	Vendors
Electronics & Computer System (Note 7)	\$5,800	\$15,000	As Arranged	As Arranged	Vendors
Restaurant Equipment (Note 8)	\$90,000	\$137,000	As Arranged	As Arranged	Vendors
Grand Opening Marketing Fee (Note 9)	\$15,000	\$15,000	As Arranged	As Arranged	Vendors
Pre-Opening Salaries (Note 10)	\$6,000	\$10,000	As Arranged	As Arranged	Employees
Initial Training Expenses (Note 11)	\$4,500	\$10,500	As Arranged	As Arranged	Vendors
Start-Up Supplies (Note 12)	\$1,000	\$1,200	As Arranged	As Arranged	Vendors
Insurance Deposit (Note 13)	\$4500	\$5,000	As Arranged	As Arranged	Insurance Companies
Business Licenses (Note 14)	\$500	\$3,000	As Arranged	As Arranged	Government Agencies
Utility Deposits (Note 15)	\$500	\$2,000	As Arranged	As Arranged	Utility Companies
Legal & Accounting Fees (Note 16)	\$1,600	\$3,400	As Arranged	As Arranged	Attorney & Accountant
Architectural Fees (Note 17)	\$8,000	\$14,000	As Arranged	As Arranged	Architect

TYPE OF EXPENDITURE (NOTE 1)	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Additional Funds (for 1 to 3 months) (Note 18)	\$10,000	\$35,000	As Arranged	As Arranged	Vendors
Total Initial Investment before Tennant Improvement Allowance*	\$506,400	\$856,100			
Tennant Improvement Allowance (Note 19)	-\$135,000	\$0	As Negotiated with Lessor	As Negotiated with Lessor	Franchisee
Total Initial Investment after Tennant Improvement Allowance* (Note 20)	\$371,400	\$856,100			

***Includes estimated additional working capital needed for one to three months, but does not include payments of the Royalty Fee or required advertising contributions. If you enter into a Development Agreement, you should expect to incur these costs for each Franchise that you develop. Before you sign the Development Agreement, we and you will determine the number of Franchises that you must develop.**

**YOUR ESTIMATED INITIAL INVESTMENT
(AREA DEVELOPMENT AGREEMENT)**

TYPE OF EXPENDITURE (NOTE 1)	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Area Development Fee (Note 21)	\$30,000	\$30,000	By certified check	On signing Franchise Agreement	SF
Total Initial Investment under First Franchise Agreement (Note 22)	\$371,400	\$856,100	See table above.	See table above.	See table above.
Credit applied to Initial Franchise Fee under First Franchise Agreement	-\$10,000	-\$10,000			
Total Initial Investment under Area Development Agreement (Note 23)	\$391,400	\$876,100			

Notes:

1. Expenditures paid to us or our affiliates are not refundable under any circumstances once paid. Fees paid to vendors, suppliers, or other third parties may or may not be refundable depending on their policies or your arrangements with them. We do not offer financing for any of these expenses.

2. The figures above assume you will rent the premises for your Franchise. The rent for the leased premises will vary substantially per location. The terms of the lease, including initial rent, rent payment commencement, any applicable free-rent period, and the presence or absence of a security deposit, will be negotiated by you. If the landlord is inclined to incentivize you to execute a lease, or if you have negotiated a rental rate that incentivizes the landlord to offer you no initial rent, you may avoid having paying rent for the first month or other initial period of operation. Rental costs vary considerably, depending on the location and local market conditions. The amount of space needed for the Franchise is estimated to be approximately 1,800 to 2,600 square feet with a minimum of 30 feet of frontage if located in a strip or neighborhood shopping center. However, this will vary by location. SF will provide guidance regarding converting a potential location to the Franchise. These numbers do not include insurance, taxes or common area maintenance charges, as these amounts vary substantially from location to location.

3. The initial inventory consists of food, beverages, paper items and cleaning products. This estimate is for the first four days of Franchise operations and foods utilized during initial training. See the Initial Inventory list in the Manuals for details.

4. Leasehold improvements may include work conducted by a general contractor to supervise the build-out of the Restaurant (plumbing, electrical, mechanical). The costs of such improvements will vary substantially from location to location. These figures do not reflect any tenant improvement allowance (“TI”), which represents the amount of money that the lessor is willing to spend on your improvements. If you negotiate TI from the lessor, it is possible that your cost of leasehold improvements can be reduced or included in your monthly lease payment. However, you may elect to not accept TI monies from your lessor, since there is generally an inverse relationship between TI monies accepted and rental rates.

5. Exterior signage may include open channel neon signs over the Restaurant, a small sign for the Restaurant on the pole sign for the shopping center (if applicable), menu boards and interior and exterior signs. Pole-mount or marquee signs are not included in this estimate and would cost more. We must approve all signs before your purchasing them for the Restaurant. Signage will vary from location to location depending on the lessor’s requirements and local code ordinances. The estimate given reflects the cost range from one to three exterior signs.

6. Furniture, fixtures and décor include millwork, countertops and flooring fabrication, lighting, chairs, staff uniforms, umbrellas, patio furniture and other décor, as well as point-of-sale and merchandising materials. You must purchase furniture, fixtures and décor items from approved vendors.

7. This estimate includes your POS system, PCI compliance firewall management, three-phone VOIP system, back office computer with support monitoring, ISP set up and initial cabling installation and setup expenses. It includes basic security setup and monitoring but does not include optional security measures such as camera systems, temperature monitors or exterior strobes.

8. All equipment must be purchased from approved vendors. The Restaurant equipment will consist of items such as fryers, walk-in coolers, countertops, grills, small wares, a hood system, hot tables, warmers, freezers, sandwich prep units, sinks, shelving, gas charbroilers, glass sneeze screen, etc.

9. Expenses for the grand opening marketing program (“GOMP”) are payable to vendors and vary depending on the GOMP that you will develop in conjunction with us. These will be expensed over the course of the first 90 days of operation.

10. This estimate includes salaries for your Manager (as defined in Item 15) and an assistant manager during initial training and up to 20 employees during opening assistance. These estimates assume that the franchisee or its Operating Principal (as defined in Item 15), as applicable, will not be paid a salary during initial training and opening assistance.

11. You will incur travel, food, lodging and other expenses during initial training for persons sent by you to initial training (generally, the franchisee or the Operating Principal, as applicable, and two individuals with management responsibility over the Restaurant). There are a number of factors which will affect these costs, including your distance from the training site, market cost of accommodations during your stay for training, the mode and frequency of travel to the training site as well any per diem expenses you grant your staff.

12. This includes office supplies and miscellaneous costs.

13. We estimate that the insurance deposit will be 20% to 25% of the first year’s insurance premium, of \$20,000 to \$25,000, or \$4500 to \$5,000. This coverage includes general liability, fire, Workers’ Compensation, EPLI, theft, property and contents.

14. Several business licenses must be obtained by the franchisee including state and local retail licenses. Please consult your local permit office for license fees as the costs of such business licenses will depend greatly on your location. This estimate does not include permits and licenses for alcoholic beverage service because the costs to obtain and maintain such permits and licenses will vary substantially from jurisdiction to jurisdiction. We strongly recommend that you verify the cost and availability of alcoholic beverage service permits and licenses in your jurisdiction before you sign the Franchise Agreement or Development Agreement.

15. Utility deposits include amounts to be deposited with local water, sewer, gas, electric and telephone companies. The costs of such utility deposits will vary from location to location.

16. Legal fees will be paid by you, if appropriate, in order to retain an attorney to help form the legal entity for your business. You will also need to retain an accounting or payroll service to assist in keeping necessary books and records of income and expenses.

17. Some jurisdictions may require your building plans to be prepared by a local architect before leasehold improvements can be approved.

18. You will need additional capital to support on-going expenses. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business (three months). This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during the start-up phase. We estimate that, in general, you may expect to inject additional cash into your Franchise, but we cannot estimate when, or whether, you will achieve a positive cash flow or profits.

19. Tenant Improvement Allowance (“TI”) are negotiated amounts paid by a lessor to the lessee (you) under a lease as compensation for improvements you will make to the lessor’s property. This data reflects the experiences of franchisees in 2016 with the “low range” investment reflecting a large TI and the “high investment” range reflecting no TI. In the past year, TI monies ranged from \$0 to \$65 per square foot for traditional locations ranging in size from 2,121 to 2,700 square feet, but there is no guarantee

that you will receive TI monies. You may elect to not accept TI monies from your lessor since there is generally an inverse relationship between TI monies accepted and the rent-per-square-foot rate. Thus, you may desire to seek a reduced continuing rent instead of upfront TI monies.

20. In preparing these estimated figures, we relied on the experience of our franchisees that have opened Restaurants, as well as our own investigation of the marketplaces of Mississippi, South Carolina, Tennessee and North Carolina.

21. As discussed in Item 5, if we grant you the right to develop two or more Restaurants in a specified area, you will pay an Area Development Fee of \$10,000 for each Restaurant you commit to develop and receive a \$10,000 credit toward the Initial Franchise Fee for each Restaurant that you establish within the development area. The estimate in the table above assumes a commitment to develop three Restaurants under the Development Agreement and includes your estimated initial investment for the first Restaurant only. The number of Restaurants to be opened under the Development Agreement will be determined by you and us at the time you enter into the agreement, but won't be less than two.

22. When you enter into an Area Development Agreement, you will also sign the Franchise Agreement for your first Restaurant to be developed under the Area Development Agreement. See the first table in this Item 7 for your estimated initial investment under a Franchise Agreement.

There are no other material payments you need to make in order to begin operating your Franchise. The figures and footnotes listed above in this Item 7 are estimates only. We cannot guarantee that you will not have additional expenses starting your Restaurant. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of Restaurant operations.

You should review these figures carefully with a business advisor before making any decision to purchase a franchise. You should take into account the cash outlays and probably losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending on your circumstances.

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ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, and comparable items related to establishing or operating your Restaurant must be purchased or leased from us, our designee, or suppliers approved by us, and under our specifications. In other words, these required purchases and leases by you will be 100% of all purchases and leases by you in establishing and operating your Restaurant, as explained in the follow chart:

Category	Percentage Estimated to be Purchased or Leased under Our Specifications and Standards	Percentage Estimated to be Purchases or Leases from Us, Our Designee or Suppliers Approved by Us
Purchases and Leases Required by You to Establish Your Restaurant	100%	100%
Purchases and Leases Required by You to Operate Your Restaurant	100%	100%

Specifications and Standards

Our specifications and requirements for approval are established to provide standards and consistency for quality, performance, durability, design and appearance. In some cases, we issue our specifications and requirements directly to our franchisees. In other cases, we issue them to our suppliers or work with our suppliers to develop them. We periodically review our specifications and modify them, and establish new specifications, from time to time when we believe it is appropriate to do so. If we establish or revise any of our standards or specifications, we will either update the Manuals or otherwise notify you or our supplier of the change if necessary.

You must offer for sale at the Restaurant all types of merchandise, products and services that we specify periodically. And you are not permitted to offer any other item of merchandise, products or service or use your Restaurant premises for any other purpose other than the operation of a Restaurant. Our designated menu items must be prepared according to our specifications. And you must maintain an adequate supply of the items and merchandise sufficient to meet customer demands as we specify.

If you propose to purchase or lease any item of equipment, fixture furnishing, signage, décor or other item that is not then-currently approved by us, you must obtain our written approval before you purchase or lease the item. We may require submission of photographs, drawings and other information and samples to determine whether such item meets our specifications. We may arbitrarily deny our approval of the item. We will notify you of our decision within a reasonable time. However, any proposed item not approved by us within 60 days after your written request is deemed disapproved. We may revoke any approval previously given at any time on written notice.

Approved Suppliers

We have the right to require you to use certain brands and prohibit you from using other brands. We may revoke our approval of any supplier, or change suppliers, at any time and for any reason. We may designate us or any other supplier as the sole supplier of any product or service. We maintain written lists of approved items of equipment, fixtures, furnishing, displays, signage, inventory and supplies (by brand

name and/or by standards and specifications), and lists of approved suppliers for those items, and update those lists from time to time to reflect changes that we make to specifications and suppliers.

You may not use a supplier of websites, mobile websites, email services, social media services, online marketing services, mobile device marketing services or Internet-based applications, or any other supplier of digital advertising or marketing services, without our prior written approval.

If you desire to use an unapproved supplier, you or the supplier must submit to SF a written request for approval. We will consider all relevant factors in such approval request, including the quality of goods and services, capacity of supplier and financial conditions and terms of the purchase. SF does not have any specific written criteria for approving suppliers. We may inspect the supplier's facilities and require that samples from the supplier be delivered or made available to SF or its designee for testing. You or the proposed supplier will pay SF in advance all of our out-of-pocket costs incurred to inspect the supplier, its facilities and the items involved. SF will notify you of its decision within a reasonable time not to exceed 60 days. However, any proposed supplier not approved within 60 days after your written request is deemed disapproved. SF may periodically re-inspect the facilities and products of any previously approved supplier at your expense or the expense of the supplier. We may revoke our approval at any time if we decide to designate a different supplier for franchisees or the supplier fails to meet any of our then-current standards and specifications.

We provide no material benefits to you (for example, renewal or granting additional franchises) based on your use of particular products or services or use of particular suppliers. Except for the rebates described in the following paragraph, neither we nor our affiliates derive revenue or material consideration from required purchases or leases by franchisees. Currently, neither we nor our affiliates are approved suppliers or the only approved suppliers of any required good or service.

We have contracted with certain suppliers who provide us or our franchisees with volume discounts, rebates and other cash payments based on volume purchases of supplies used by our company-owned and franchised Restaurants. These volume discounts, rebates and other cash payments include percentage amounts we or our affiliates receive based on purchases or usage by our franchised and company-owned Restaurants. During the fifty-two weeks ending December 29, 2024, our total revenue was \$4,607,662 and we received rebates in the amount of \$240,445 (5.2% of our total revenue). These rebates represent our revenue from all required purchases and leases of products and services. We paid the Coca-Cola rebates, which totaled \$57,549, into the Creative Fund and intend to use the remaining rebates to cover expenses related to procurement management and development. None of our officers currently own an interest in any of our suppliers. We have no other purchasing or distribution cooperatives. We may, from time to time, negotiate materially different purchase arrangements with suppliers, including price terms, for the benefit of us, our affiliates or our franchisees.

Approval of the Restaurant Location; Construction

You must receive our written approval for your proposed Restaurant location. Our approval of the site may be conditioned on various factors relating to the site and the market area in which your customers are located. Some of the factors we consider in the approval process include: the size, shape, visibility, and other characteristics of the site space, the general location and neighborhood, population and demographics, distance to other Franchises, competition in the market area, traffic counts and patterns, access, sign ordinances, proximity to major roads, residential areas and business districts, parking facilities and the costs of leasehold improvements.

After receiving our written approval for the Franchise site, you may purchase or lease the site. The terms of such purchase or lease must receive our written approval. However, our review and approval of any lease or purchase terms is for our purposes and does not ensure that those terms will be satisfactory to you. You should independently review the lease or purchase agreement with your own attorney before you sign any binding documents. Our approval of any lease agreement may be conditioned on the inclusion of the following terms and conditions:

1. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest on termination or expiration of the Franchise, and a provision which requires the landlord, at our option, to sign a collateral assignment of lease which provides that we will be allowed to take an assignment of your lease on any termination of your Franchise Agreement;
2. A provision which expressly permits the lessor to provide us with all sales and other information it may have related to the operation of the Restaurant, on our request;
3. A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not the obligation) to cure any deficiency under the lease, should you fail to do so within 15 days after the expiration of the period in which you may cure the default;
4. A provision which grants us, or our designee, the option, on default, expiration or termination of the Franchise Agreement, and on written notice to the lessor, to assume all of your rights under the lease terms, including the right to assign or sublease;
5. A provision which evidences your right to display the Proprietary Marks in accordance with the specifications required by the Manuals, subject to the provisions of applicable law; and
6. A provision that the premises will be used only for the operation of the Restaurant.

Please see Exhibit E to the Franchise Agreement for a copy of our current form of lease rider. You must furnish to us a fully signed copy of your lease agreement within 10 days after its execution.

All plans for the design and construction of the Restaurant, including dimensions, image, layout and color scheme, must conform to our then-current specifications and standards. You are not permitted to proceed with any construction or remodeling of your Restaurant until you have received our prior written approval of any plans drafted by your architect. It is your responsibility to ensure that the Restaurant plans comply with all federal, state and local laws, rules, regulations and code, including those addressing access to your Restaurant by persons with disabilities.

Maintenance; Remodeling Requirements

You are required to maintain the condition and appearance of the Franchise location consistent with our specifications and standards. You may be required to periodically improve the appearance of your Franchise, including replacement of worn out or obsolete equipment, fixtures, furnishings, and signs, repair or restoration to the exterior and interior of the Franchise location and decorating. If you fail or refuse to initiate a program to complete any required maintenance, we may complete the maintenance on your behalf and at your cost.

We have the right to require you to remodel and modernize the Restaurant to conform to our then-current System image but not more than once every five years. Capital expenses necessary for the repair and maintenance of the Franchise location, however, are not subject to this time restriction. You should expect to spend up to \$100,000 every five years during the Restaurant's operation for these expenses.

You may not make any material alterations to the Franchise location or material replacements of your equipment, fixtures, furniture or signs without our prior written approval.

Signage

You must prominently display and maintain signs of such design, color, number, location illumination and size as we may reasonably require. All of your signs must bear the Proprietary Marks. You must obtain all permits and comply with all codes, regulations and ordinances applicable to the display of your signs. You are responsible for the maintenance and repair of the signs.

Insurance Specifications

Before you open your Restaurant, you must obtain certain minimum insurance coverage written by an insurance company with an A.M. Best Rating of at least A Minus VII, naming us as an additional insured, as described in the Franchise Agreement or Manuals. We may require that you increase insurance limits or have new types of coverage added to your policy. You must maintain this insurance coverage during the entire term of the Franchise Agreement from a responsible carrier that is acceptable to us. Our current insurance requirements are summarized below. A certificate of insurance (COI) must be filed with us within 30 days following renewal of your policy each year of operation.

1. Commercial General Liability insurance including product liability, premises liability, advertising injury or insult, and Hired & Non-owned Auto liability, with minimum coverage of \$1,000,000 combined single limit per occurrence with not less than \$2,000,000 in the general aggregate per year.
2. Commercial Auto Liability for all company owned Autos of not less than \$1,000,000 combined single limit per occurrence.
3. Property Coverage written on a special form covering the total insured value of tenant's betterments and improvements and business personal property on a replacement cost basis, when permitted.
4. Workers Compensation and Employer's Liability Insurance as required by law, in no event less than \$100,000 per accident/\$500,000 disease policy limit/\$100,000 for disease-each employee.
5. Umbrella Liability that provides coverage for all underlying liability policies in an amount of \$1,000,000 per occurrence and in the aggregate combined single limit.
6. Employment Practices Liability Coverage in an amount of your selection.

Advertising Specifications

You may place advertising in any media, so long as your advertising, and the supplier of the advertising service, has been approved in writing by us in advance. We require that you obtain our approval at least 10 days before your use of any advertising material, unless we have approved the advertising materials previously and not later disapproved them.

We will typically notify you of approval of any proposed advertising within 10 business days after our receipt of your written request for approval and samples of the materials. We may, in our sole discretion, deny or withdraw approval of your advertising materials if we determine that the materials do not fit within our promotional concept for the System, or that the advertising materials are or may be damaging to the System or its reputation. Any plan or material submitted that is not approved within 10 days after submission is deemed disapproved. All advertising must be conducted in a dignified manner and must be accurate.

Records and Accounting

You must maintain complete and accurate records of all sales, marketing activities, closeout sheets, payroll and accounts payable in accordance with our standard accounting system. You must supply quarterly profit & loss statements and other financial information we specify in a format determined by us. On 30 days' advance written notice, we may prepare the financial statements for your Franchise that are required under the Franchise Agreement based on financial and accounting information we obtain directly from your computer system. We may charge you a reasonable fee in connection with our preparation of such financial statements.

You are required to provide us an annual business plan in a form and at a time we specify.

Technology Systems

You must purchase, install and use all technology equipment, hardware, software, services, platforms and systems, including, without limitation, point-of-sale systems, back-of-house systems, data processing equipment, computer hardware and software (including websites, SaaS, and mobile applications), dedicated telephone, DSL and power lines, high speed Internet connections, modems, printers and other computer-related accessory or peripheral equipment (such equipment, hardware, software, services, platforms and systems, collectively, the "**Technology Systems**"), that we specify in the Manual. You must comply with all guidelines and instructions that we issue for the Technology Systems. We will have the free and unfettered right to access and retrieve any data and information from your Technology Systems, including electronically polling the daily sales, menu mix, customer count, average transaction, supply purchases, cost of goods sold, expenses, deleted lines, refunds, employee time, customer data and other data of the Restaurant. You must integrate your Technology Systems with other technology systems we designate. You may not use any Technology Systems that are or become disapproved by us.

Ordering Systems, Payment Platforms and Customer Loyalty Programs

The Technology Systems include (A) electronic ordering systems and platforms (ex: Door Dash and EZ Cater) (B) payment solutions, gift card systems or integrated payments systems and (C) customer loyalty platforms. You must use these systems and platforms as they are designated from time to time by us. You are not allowed to participate in any systems or platforms that have been disapproved by us (even if previously approved). We may negotiate the terms of the contract that will apply to your use of an ordering system, which may require you to honor customer discounts or other customer incentives. You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by us to enable customers to purchase authorized products from the Restaurant and must obtain all necessary hardware, software and subscriptions used in connection with all required systems and platforms. You must reimburse us for costs associated with non-cash payment systems as they pertain to the Restaurant that we may incur.

ITEM 9

FRANCHISEE’S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement and Development Agreement. It will help you find more detailed information about your obligations in the agreements and in other items of this disclosure document.

	OBLIGATION	SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM(S)
a.	Site selection and acquisition/lease	Sections I.A. and III of the Franchise Agreement; Section I.A. of the Development Agreement	Items 5, 7, 8 and 11
b.	Pre-opening purchases/leases	Sections III, IV, VIII.A., X.G., X.H., X.I., X.L. and XIV of the Franchise Agreement	Items 5, 7, 8, 11 and 16
c.	Site development and other pre-opening requirements	Sections III, IV, VIII.A., X.G., X.H., X.I., X.L. and XIV of the Franchise Agreement; Section I.A. of the Development Agreement	Items 5, 7, 8, 11 and 15
d.	Initial and ongoing training	Sections V, VI.A., VI.C. and X.K. of the Franchise Agreement	Items 6, 7, 11 and 15
e.	Opening	Sections III.B. of the Franchise Agreement; Section 1 of the Development Agreement	Items 6, 7, 8, 11 and 16
f.	Fees	Sections I.A.1., II.B.4., III.A.2., V, VII, VIII, IX.B., IX.C., X.G., X.T., X.U., XIV.E., XIX.B., and XXII.E. of the Franchise Agreement; Sections I.D., III, VIII.B. and IX.E. of the Development Agreement	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operating Manuals	Sections III, IV, VIII, IX, X, XI, XII, XIII, XIV and XVIII of the Franchise Agreement; Sections I.A. and V of the Development Agreement	Items 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	Sections XI, XII and XVIII of the Franchise Agreement; the Confidentiality/-Nondisclosure Agreement; Section V of the Development Agreement	Items 13, 14, 15 and 17
i.	Restrictions on products/services offered	Section X.D. of the Franchise Agreement	Items 8, 11 and 16
j.	Warranty and customer service requirements	Section X.R. of the Franchise Agreement	Not Applicable
k.	Territorial development and sales quotas	Section I of the Franchise Agreement; Section I of the Development Agreement	Items 1, 5, 11 and 12
l.	Ongoing product/service purchases	Subsections D, E, H, J and M of Section X of the Franchise Agreement	Items 6, 8 and 16

	OBLIGATION	SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM(S)
m.	Maintenance, appearance and remodeling requirements	Sections II.B.2., III.B., IV, subsections A, B, G and H of Section X and XIII.C. of the Franchise Agreement.	Items 7 and 8
n.	Insurance	Section XIV of the Franchise Agreement	Items 6 and 8
o.	Advertising	Sections VI.D., VII.B., VIII and X.N. of the Franchise Agreement	Items 6, 7, 8 and 11
p.	Indemnification	Sections XI.C., XVI.K.11., XVII.B. and XX of the Franchise Agreement; Section X.C. of the Development Agreement	Item 6
q.	Franchisee's participation/management staffing	Sections X.K. and XVI.K.7. of the Franchise Agreement	Items 11 and 15
r.	Records and reports	Section IX of the Franchise Agreement	Items 8 and 11
s.	Inspections and audits	Section IX.C. of the Franchise Agreement	Items 6 and 11
t.	Transfer	Section XIX of the Franchise Agreement; Section VIII of the Development Agreement	Items 6 and 17
u.	Renewal	Section II.B. of the Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Section XVI of the Franchise Agreement; Section VII of the Development Agreement	Item 17
w.	Non-competition covenants	Section XVIII of the Franchise Agreement; Section VII.B. of the Development Agreement	Items 15 and 17
x.	Dispute resolution	Section XXII of the Franchise Agreement; Section IX. of the Development Agreement	Items 6 and 17
y.	Other – Guest Satisfaction Programs	Section X.S. of the Franchise Agreement.	

ITEM 10

FINANCING

We do not offer any direct or indirect financing. We do not guarantee your note, lease or obligation. However, under some circumstances, we may offer to select lenders certain collateral enhancement rights related such lender's security interest in the assets of the Restaurant by way of a tri-party agreement among, you, us and your lender.

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 the Restaurant, we will:

- A. Furnish to you site selection guidelines, consultation and assistance as we deem appropriate with respect to site selection, which may include one on-site evaluation free of charge (to last not more than two days unless otherwise agreed by us). We also will review any proposed location for the Franchise's premises and will approve or disapprove such location. (Franchise Agreement, Section III.A.)
- B. Review the terms of your lease or purchase agreement for the Franchise location and condition our approval of the lease on incorporation of certain terms (Franchise Agreement, Section III.A.3)
- C. Assist you, as we deem reasonable and necessary, with the layout and design of the Franchise and provide advice to you for construction of the Franchise location. (Franchise Agreement, Section III.B)
- D. If you enter into a Development Agreement, designate the geographical region in which you must open all of your Restaurants (Development Agreement, Section I)
- E. Identify the equipment, materials and supplies necessary for the Franchise to begin operations, including the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased. (Franchise Agreement Sections IV, X.F. and X.G.) We do not deliver or install any equipment, signs, fixtures, opening inventory or supplies for your Restaurant.
- F. Provide initial training for up to three persons at times and locations designated by us and provide on-site training at the Restaurant. We may also provide training for additional persons for a reasonable fee and the cost of training materials. (Franchise Agreement, Section V)
- G. We will lend you, for the term of the Franchise Agreement, a copy of the Manuals, which may be provided in electronic form. (Franchise Agreement, Section VI.B.)

Obligations After Opening

During the operation of the Restaurant, we will:

- A. Provide additional or refresher training courses at times and locations we designate and provide initial training for any subsequent Managers of your Franchise on your reasonable request and subject to the availability of our personnel. (Franchise Agreement, Sections V.C. and V.D.)
- B. Provide consulting services at our discretion and subject to the availability of our personnel. (Franchise Agreement, Sections VI.C. and VI.D.)

- C. Advise you periodically concerning suggested retail prices. This advice is not mandatory, but a recommendation only. (Franchise Agreement, Section VI.E.)
- D. Provide you with a list of approved suppliers for all products and services necessary to operate the Restaurant and evaluate proposed suppliers and substitute products and services to determine whether they meet our standards and specifications. (Franchise Agreement, Sections IV, X.F. and X.G.)
- E. Review advertising materials that you submit. (Franchise Agreement, Section VIII.G.)
- F. Be entitled, in our sole discretion, to modify periodically the System, including changes to the Manuals, menu and menu formats, required equipment, signage, building and premises of the Restaurant (including trade dress, décor and color schemes), presentation of the Proprietary Marks, adoption of new administrative forms and methods of reporting and payment of monies owed and adoption and use of new or modified Proprietary Marks or copyrighted materials. (Franchise Agreement, Section XIII.A.)

Advertising

All advertising must be conducted in a dignified manner, and must conform to standards and requirements specified by us. You may not advertise the Restaurant in connection with any other business except with our prior written approval. You may use your own advertising materials and suppliers, so long as such materials and suppliers have been approved by us in advance and not later disapproved. (Franchise Agreement, Sections VIII.G and X.N.)

Our source of advertising may be our in-house advertising department, or a national or regional advertising agency. Our advertising may be in any form of media and may be conducted on a local, regional or national level. (Franchise Agreement, Section VIII.)

There are four funds related to marketing and advertising, which we currently have or may establish in the future: (1) the Creative Fund, (2) the National Ad Fund, (3) the Local Marketing Fund, and (4) Regional Co-op Funds. (Franchise Agreement, Section VIII.)

We reserve the right to allocate, reallocate and increase contribution requirements amongst these four categories. Currently, we allocate 2% to the Creative Fund. We may allocate up to 6% of Net Revenues amongst these four categories but we will not increase the aggregate amount by more than 2% in any calendar year and 30-days notification will be provided before any required change. In addition, we will not increase the amount by more than 1% in any calendar year in which we also elect to increase the Royalty Fee. (Franchise Agreement, Section VIII.C.)

Creative Fund and National Ad Fund. We have established a program for the development of materials for the promotion of our Franchises (“**Creative Fund**”). Proceeds from the Creative Fund are used to cover the costs of advertising, marketing, public relations, promotional programs and materials (which may be national or regional in scope) and/or any other activities that SF believes would benefit the system. You must pay a percentage of the Net Revenues generated at your Restaurant (currently 2.0% of the Net Revenues) to the Creative Fund. (Franchise Agreement, Section VIII.D.) We may also direct you to pay a portion of such funds to a Regional Co-op (as described below). (Franchise Agreement, Section VIII.C) As discussed above in Item 6 of this Franchise Disclosure Document, the percentage of Net Revenues required to be paid into the Creative Fund was temporarily reduced in connection with the COVID-19 pandemic, but may be returned to the current required contribution amount of 2.0% of Net Revenues at any time.

We have not yet established a National Ad Fund that will conduct marketing, advertising, public relations and promotional programs for all Restaurants (“**National Ad Fund**”). If we establish the National Ad Fund, you must pay a percentage of the Net Revenues generated at your Restaurant to the National Ad Fund. (Franchise Agreement, Section VIII.F.)

We have the right to direct all programs supported by the Creative Fund and National Ad Fund, with final discretion over creative concepts, the materials and media used in the programs and their placement.

Restaurants operated by our affiliates contribute to the Creative Fund (and will contribute to the National Ad Fund) on the same basis as other franchisees at traditional locations. We will separately account for these monies, but we are not required to segregate these monies from our other monies. Any monies that are not spent in the fiscal year in which they accrue will be carried over into the following fiscal year. Upon written request, we will make available to you a statement of monies collected and costs incurred by each fund on an annual basis. We are not required to audit either fund, but may do so if we deem necessary. We are not required to spend any amount from either fund in the specific area or territory where your Franchise is located or to ensure that your Franchise benefits you in proportion to your contributions to either fund. We will administer each fund. The funds are not trust funds, and we do not have any fiduciary duty to you with respect to their administration, activities, or expenditures.

We will have the right to charge both funds for the reasonable administration cost and overhead that we incur in the actives reasonably related to the direction and implementation of the funds. We do not use any money from either fund for advertising that is principally a solicitation for the sale of franchises

During the period January 1, 2024 to December 31, 2024, the total monies spent by the Creative Fund were expensed in the following categories:

Category	% of Creative Fund
Social Media	39%
Digital Assets Maintenance & Development	9%
Promotional Collateral, Printing	6%
Guest Feedback & Public Relations	10%
Loyalty	14%
General & Administrative Expense	4%
Overhead	18%

Local Marketing. As of the date of this disclosure document, we do not require you to spend a minimum percentage of your Net Revenues for local store marketing in authorized advertising media and for authorized advertising expenditures. We encourage you to spend additional monies on your local store marketing beyond any requirement. If we direct you to spend amounts on approved local marketing, you must send us documentation supporting that you have expended this amount on a designated basis. (Franchise Agreement, Section VIII.G.)

Regional Co-ops. As of the date of this disclosure document, we have not established any regional advertising and sales promotion cooperative (“**Co-op**”), but we may do in the future under the terms of the Franchise Agreement. (Franchise Agreement, Section VIII.E.)

Advisory Council

We have established a Franchisees Advisory Council (“**FAC**”) which serves in an advisory capacity only with respect to a variety of issues, including operations, technology, procurement and advertising and

promotional activities. The FAC is governed by by-laws. The purpose of the FAC is to promote communications between us and all franchise owners. The FAC has up to six members. Five members are elected by franchisees on a per-unit basis and one is appointed by us. We have the power to form, change, or dissolve the FAC.

Electronic Advertising, Marketing, and Communication

You cannot own or use any website, domain name, email address, social media account, or other type of digital customer-facing account or platform associated with the Proprietary Marks or any Restaurant (collectively, “**Digital Media**”), without our prior written consent. As a general policy, we maintain exclusive ownership and control of all Digital Media associated with the System, including the content, messages and customer interactions displayed through Digital Media. However, we may, under certain circumstances, assist or receive input from a franchisee in generating content or messages through forms of local Digital Media that are specific to that franchisee’s Restaurant or permit a franchisee to engage in a certain type of Digital Media. If we permit you to engage in any form of Digital Media, you must do so strictly in accordance with any guidelines we establish for Digital Media in the Manuals. As part of any permitted use of Digital Media, we may require you to use certain suppliers of Digital Media services, and those providers may charge you fees for such services.

Manuals

On request, we will permit you to view all of our Manuals at our headquarters in Charlotte, NC before you purchase the Franchise. To protect the confidentiality of the Manuals, we will require you to sign a Confidentiality/Nondisclosure Agreement before you view the Manuals. (See **Exhibit H** to this disclosure document)

Location Selection

Under the Franchise Agreement, you must operate the Franchise at a single location acceptable to us. You must submit potential location materials to us, describing the proposed location. We will respond within 30 days after our receipt of all required information either accepting or rejecting (with reasons) the proposed location.

Some of the factors that we consider in evaluating sites include: the size, shape, visibility, and other characteristics of the site space, general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, lease or purchase terms, demographic characteristics of the area and other factors. We generally do not own the premises and lease it back to you.

If you are not able to locate a suitable site and secure a lease agreement that we have approved within 180 days after you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement and keep the Initial Franchise Fee. (Franchise Agreement, Section XV.C.11.)

In addition, you must open the Franchise within 180 days after securing the site and obtaining our written approval of the lease agreement or purchase agreement for the site. If you do not open your Restaurant within this time period, we have the right to terminate the Franchise Agreement and keep the Initial Franchise Fee. (Franchise Agreement, Section XV.C.11)

If you sign a Development Agreement, we will approve the location for each additional outlet to be developed under an area development schedule based on the then-current criteria we use to evaluate prospective franchise Restaurant sites. Location approval is required after a letter of intent is signed

between the franchisee and the landlord but before a final lease is signed. Approval is provided in writing via letter or email.

Start-Up Time

The typical length of time between signing the Franchise Agreement and opening for business is estimated to be between six and 12 months. Factors that will affect the length of time it takes you to open for business include: site selection, your ability to obtain a lease, financing, permits, compliance with local ordinances and restrictions, construction of the leasehold improvements, availability, delivery and installation of fixtures, signs and equipment and completion of required training.

Computer Requirements

You must purchase and maintain computer equipment and hardware, and purchase, license or subscribe to software and service platforms, that we specify or that meet our standards. We may amend our required specifications relating to your computer equipment, software and systems, and you must upgrade or update, as necessary and at your expense, any of your computer hardware, software and systems to comply with these specifications. There are no contractual limitations on our ability to require you to update your computer systems (Franchise Agreement, Sections IV, IX.A., X.T. and XIII)

The computer system will be used in your business to manage cash control, inventory control, labor scheduling, sales forecasting, menu and price change control, process payments, and manage orders and deliveries, among other things. The data collected generally includes customer information, financial information regarding sales, labor and inventory, including sales per hour, number of employees per shift, hours worked per employee, deposits, daily sales, sales adjustments, as well as detailed cashier activity reports. We will have independent access to all data stored in the computer system. There are no contractual limitations on our right to retrieve data and information in your computer system (Franchise Agreement, Section X.T.)

In 2016, we selected PAR Technologies as the sole approved supplier of point-of-sale (“POS”) systems to franchisees and, in 2018, we selected Viking as the sole provider of PCI Compliance services to franchisees. Neither we nor any of our affiliates receive any consideration from PAR Technologies or Viking Cloud as part of this designation.

Your POS system will consist of at minimum a two-terminal PAR Terminals of latest model with BRINK software image installation featuring two traditional touch screen terminals with cash registers and receipt printers. The installation will require Software as a Service (“SAAS”) fees for access to the Brink cloud server database as well as use of Brink core POS, Loyalty, Kitchen Video, online/mobile ordering, POS phone support modules. The initial purchase of this system is currently estimated at \$4,827.50 inclusive of all POS equipment and installation. SAAS fees payable to Par-Brink each month are currently estimated to be \$165 a month for a Restaurant.

Locations which feature a drive through can expect an additional estimated \$12,000 in electronic and computer equipment needed to operate the drive through menu, POS terminals, kitchen display systems and communications equipment.

You are required to maintain secure and PCI compliant computer networks for the handling of customer information. Viking Cloud is the specified supplier of PCI compliance services for Salsarita’s Fresh Mexican Grill® franchises. Viking Cloud services include consultation on completing PCI compliance steps as well as a managed network service that will maintain, document and test your POS system for PCI compliance and report deficiencies to you for repair. Viking Cloud will maintain a network

firewall on your behalf and provide network management support on a monthly fee basis. The monthly fees are currently \$89 per month.

You must maintain your restaurant technology systems and keep it in good repair. You are responsible for on-going maintenance and support for your technology systems. Newly purchased equipment typically is under warranty by the vendor for the first year of service. We estimate the annual costs of maintenance and repair costs to range between \$800 and \$1,500 per year, per Restaurant, depending on the nature of the service contract selected. We are not obligated to provide, or to assist you in obtaining, the computer items or services described above and are not obligated to provide ongoing maintenance, repairs, upgrades, or updates. (Franchise Agreement, Section X.T.)

You must purchase and maintain virus protection software for all computer systems within your restaurant. We estimate that ongoing virus protection licenses will cost approximately \$120 - \$150 per year per computer.

In 2022, we designated PAR Payment Services (“PPS”) as our sole Merchant Processing system. PPS will provide you with in-restaurant and online merchant credit card processing services. The fee structure with PPS for merchant services is an “Interchange Plus” pricing model. PPS assesses merchants for the interchange fee on each transaction which is ultimately paid to the card issuer as well as a fixed, per transaction, fee which is retained by PPS. Your merchant fees will therefore fluctuate daily based upon the type of credit or debit card presented, the issuing bank, and number of purchases made by credit card.

In May of 2023 we designated Paytronix as our Gift Card program provider. They currently have a flat monthly fee of \$40 per restaurant per month. All locations must facilitate the use of Paytronix Gift cards functionality so that guests can purchase gift cards and redeem them at any location.

In 2017, we designated OLO as our sole integrated systems online ordering platform. OLO will provide you with online ordering capability on the salsaritas.com website as well as the Salsarita’s Application for Android and IOS. OLO’s fees can fluctuate based on order volume. Base pricing for standard menu is currently \$155 per month plus \$0.12 per order. The typical Salsarita’s spends \$263/mo on online ordering services. You may spend more or less depending on order volume.

In 2017, we designated Punchh Loyalty Systems as our sole loyalty provider. Punchh will provide you with loyalty rewards for your guests and provide you will valuable customer data.

Punchh, OLO, Nuark and Brink are all “cloud-based” systems. They will require a Backoffice computer running a current version of Windows PC operating system for accessing and controlling those systems from your office. The cost of this system will vary depending on make, model and performance level you select are available through most retail computer outlets. We estimate this expense at \$1,000. Cloud-based systems rely on strong, consistent commercial-grade internet services. You will need to purchase a commercial-grade internet service from a reliable local source. Minimum internet speeds of 100/10 MB is required. Greater levels of service may be needed depending on your location configuration (drive thru, etc.). You must outfit the restaurant with a backup internet connection, typically provided via 4G broadband router. Viking Cloud is a recommended vendor for this service.

The above-described computer and technology systems and providers are as of the date of this Franchise Disclosure Document and are subject to change.

Training

Before your Restaurant opens and within a reasonable time after you sign the Franchise Agreement, you (or, if the franchisee is an entity, the Operating Principal), the Manager, and at least two other

individuals with management responsibility over the day to day operation of the Restaurant (e.g. an assistant manager) must personally attend our initial training program, which will last approximately 27 days or longer if we require. We will train up to three persons at no additional charge. Each attendee must complete the training to our satisfaction. You are responsible for the costs of travel, lodging, meals, salaries and benefits for your employees and agents attending initial training. We will permit you to send additional persons to initial training on a space-available basis, but you may be required to pay a fee for each additional person as outlined in the Manuals, as well as the cost of materials provided. If, at any time, you hire a new Manager, he or she must attend and satisfactory complete the initial training program. (Franchise Agreement, Sections V.A. and V.D.)

The initial training program will be conducted by us at our headquarters (currently, Charlotte, North Carolina) and at one or more of our affiliate-owned Restaurants or franchised Restaurant in Charlotte, North Carolina, unless we designate other locations. Initial training must be completed approximately six weeks before the opening of the Restaurant. Initial training is conducted as often as we deem necessary, in our sole discretion.

Approximately one week before you open the Restaurant, and up to one week following the opening, we will send a trainer to the Restaurant to provide an on-site training program. The on-site training program will last approximately one week, in our sole discretion. We currently require that you, or if the franchisee is an entity, the Operating Principal, and the Manager be at the Restaurant at all times during the on-site training program. Each attendee of our on-site training program must complete it to our satisfaction.

Initial training and on-site training are provided by, or under the direction of, Merrick McKinnie, our Chief Operating Officer. Mr. McKinnie has supervised our training program since October 2020 and has approximately 20 years of restaurant training experience. Other experienced employees of SF and its affiliate, SR, may also participate in providing training to new franchisees and their employees under Mr. McKinnie’s supervision. The instructional materials will consist of the Manuals and other materials prepared periodically by SF for training purposes.

As of the date of this disclosure document, SF’s initial training program includes:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING*	HOURS OF ON THE JOB TRAINING*	LOCATION
Salsarita’s University Online Training Modules	4 hours	0 hours	Online training currently available through an e-learning web portal
Orientation	4 hours	2 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Guest Service	1 hour	2 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Food Preparation	1 hours	20 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online

SUBJECT	HOURS OF CLASSROOM TRAINING*	HOURS OF ON THE JOB TRAINING*	LOCATION
Line Positions	2 hours	30 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Cash Handling & Security	2 hours	4 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Ordering and Receiving	2 hours	4 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Labor Scheduling and Cost Control	3 hours	2 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Food Inventory and Cost Control	2 hours	4 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Store Opening Procedures	2 hours	40 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Store Closing Procedures	2 hours	24 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Catering Training and Marketing	4 hours	16 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online
Business Review & Profit and Loss	0hours	3 hours	Onsite at your restaurant following your grand opening.
Validation and Final Testing	2 hours	4 hours	Our headquarters and at other franchised and affiliate-owned Restaurants in the Charlotte, NC area, as we designate, or online

* All listed times are approximate.

In addition, we may also require that your employees whom we designate attend and successfully complete, at your cost, a ServSafe food safety training and certification program as administered by the National Restaurant Association Educational Foundation.

You and any other designated employees, including all new Managers, must attend and satisfactorily complete any refresher or other training programs that we require after your Restaurant begins operations. These courses may be conducted at our headquarters or at any other locations selected by us.

We may charge a fee and materials cost for additional/refresher training courses and with respect to initial training for new Managers. You are responsible for the costs of travel, lodging, meals, salaries and benefits for your employees and agents attending additional training. (Franchise Agreement, Section V.C.)

All classes are scheduled by advance written notice to all franchisees. Our class cancellation policies will be included in the written notice of class schedules.

ITEM 12

TERRITORY

Under the Franchise Agreement

The Franchise will be conducted at a site you select, subject to our approval.

As long as you remain in compliance with the Franchise Agreement, SF and its affiliates will not establish, or grant to any person any license to establish, Salsarita's Fresh Mexican Grill Restaurants in an agreed-upon geographic area ("**Protected Territory**").

The criteria used for determining the boundaries of your Protected Territory will include: the population base, the growth trends of the population base and the apparent degree of affluence of the population, major and restricting topographical features which define contiguous areas such as rivers, mountains, major roads and underdeveloped lands and the density of residential and business entities. The minimum Protected Territory granted is a one-mile radius from the Franchise, with the exception of Franchises located in urban areas or non-traditional locations. Franchises located in urban areas or non-traditional locations may have a minimum Protected Territory comprising the building or other structure in which the Franchise is located.

The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional Franchises within the Protected Territory or areas contiguous to the Protected Territory. Multiple Franchise Agreements may exist under one Development Agreement.

Continuance of your limited exclusive rights in the Protected Territory is not contingent on you achieving a certain sales volume, market penetration or other contingency, except that you must remain in compliance with the Franchise Agreement. The size of your Protected Territory may not be altered unless we mutually agree to modify the size in writing. We do not restrict the areas in which you may advertise or solicit customers. However, except with respect to catering (as described below) and any approved online ordering activities, you do not have the right to use other channels of distribution, including the Internet, catalog sales, telemarketing or other direct marketing.

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. SF and its affiliates may establish Restaurants outside of the Protected Territory and grant licenses to third parties with respect to Restaurants, and you have no right to restrict or control the development of such Restaurants. We may also offer and sell franchises and establish SF and affiliate-owned units which sell similar products or may allow others to sell similar products under different marks at any location. In addition, we reserve the right on our own or through an affiliate, or through our franchisees, to develop, or license others to develop, non-traditional locations under the Proprietary Marks, both inside and outside the Protected Territory, which may be located in places such as airports, stadiums, educational institutions (including colleges & universities), bus stations, factories, federal, state or local government facility (including

military bases), hospitals and other health care facilities, recreations facilities, schools, warehouse clubs, seasonal facilities, casinos, theaters, museums, theme parks, train stations, enclosed regional shopping malls, lifestyle centers and workplace cafeterias. We and our affiliates may also sell various menu items and products identified by the Proprietary Marks within your Protected Territory through supermarkets, by mail, the Internet or other alternative means of distribution. We are not required to pay you compensation for any of these activities.

Other Salsarita's franchisees, and other retailers, may market and advertise, and solicit and accept orders, in your Protected Territory without paying you any compensation.

Relocation of the Restaurant is subject to our prior written consent. The proposed new location of the Restaurant must, in our discretion, be suitable for the operation of a Restaurant, located within your Protected Territory, and not encroach on the territory of any other Salsarita's franchisee or developer. We will evaluate any proposed relocation site based on the then-current criteria we use to evaluate prospective franchise restaurant sites. You are responsible for all costs involved in any relocation, including the payment of a relocation fee to us.

You have the right to provide off-premises catering services of authorized Salsarita's food products and beverages to businesses and other locations within an agreed-upon catering territory ("**Catering Territory**"), provided you follow all procedures and menu requirements, purchase all supplies, products and ingredients through approved suppliers, and otherwise follow the Manuals (as defined in Section X.Q. of the Franchise Agreement) as to catering. Your Catering Territory will include your Protected Territory and may extend beyond your Protected Territory if mutually agreed upon by you and us. The Catering Territory serves merely as a boundary for your catering activities and does not provide you with any exclusive or other territorial rights. If permitted by us, you may, on a non-exclusive basis, offer catering services outside of your Catering Territory; however, we may restrict the areas in which you are permitted to offer catering services outside of your Catering Territory (including by restricting your catering activities to the Catering Territory alone). We reserve the right to revise your Catering Territory at any time if revising your Catering Territory is, in our sole judgement, necessary or appropriate to properly service customers in certain geographic areas or on account of additional Restaurants that have been developed since your Catering Territory was first established or last revised.

There are no restrictions on our ability to solicit or accept orders from customers at any location, nor must we compensate you if we solicit or accept orders in your Protected Territory. We reserve the right to engage in the distribution of products on the Internet, and to restaurants, grocery stores, caterers and other outlets, under the Proprietary Marks or other names and marks. We do not currently operate, or franchise the operation of, any other business selling under different trademarks any products or services similar to the products and services offered by Restaurants, and we presently do not have any plans to do so; however, we reserve the right to do so in the future.

We and our affiliates may merchandise and distribute goods and services identified by the Proprietary Marks (or different proprietary marks) through methods or channels of distribution other than restaurants. You have no right under the Franchise Agreement to operate any Restaurant for which a Franchise Agreement has not been executed.

Under the Development Agreement

The Development Agreement grants an Area Developer the right to open an agreed upon number of Restaurants over an agreed upon period of time in a Development Area. Under the Development Agreement, so long as you develop and operate a specified number of Restaurants over a fixed period of time within the Development Area, and with certain limited exceptions described below, we won't operate or license anyone the right to operate a Restaurant within the Development Area using the Proprietary

Marks. Your right to the Development Area may be terminated by us if we have the right to terminate any other agreement with you or if you fall behind under the development schedule. Otherwise, continuation of your territorial rights under the Development Agreement does not depend on achievement of a certain sales volume, market penetration or other contingency. The size of your Development Area may not be altered unless we mutually agree to modify the size in writing.

You will not receive an exclusive territory. You may face competition from other developers and franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. SF and its affiliates may establish Restaurants outside of the Development Area and grant licenses to third parties with respect to Restaurants, and you have no right to restrict or control the development of such Restaurants. We may also offer and sell franchises and establish SF and affiliate-owned units which sell similar products or may allow others to sell similar products under different marks at any location. In addition, we reserve the right on our own or through an affiliate, or through our franchisees, to develop, or license others to develop, non-traditional locations under the Proprietary Marks, both inside and outside the Development Area, which may be located in places such as airports, stadiums, educational institutions (including colleges & universities), bus stations, factories, federal, state or local government facility (including military bases), hospitals and other health care facilities, recreations facilities, schools, warehouse clubs, seasonal facilities, casinos, theaters, museums, theme parks, train stations, enclosed regional shopping malls, lifestyle centers and workplace cafeterias. We and our affiliates may also sell various menu items and products identified by the Proprietary Marks or other marks within the Development Area through supermarkets, by mail, the Internet or other alternative means of distribution. We are not required to pay you compensation for any of these activities.

Other Salsarita's franchisees and developers, and other retailers, may market and advertise, and solicit and accept orders, in your Development Area without paying you any compensation.

The Development Agreement typically does not provide you with any options, rights of first refusal, or similar rights to acquire additional units or territory. In some cases, however, we may offer you a right of first offer with respect to one or more geographical areas adjacent or related to your Development Area. If we grant you such right, we will, before offering development rights in such territory to a third-party, offer those rights to you. If we notify you of the offer, you will have a limited period in which to exercise your right to develop the territory by notifying us of your election to do so. If you exercise your right to develop the territory, you and we will agree upon the number of Restaurants you must develop in such territory, and the development timeframe, and you and we will enter into our then-current form of Development Agreement for such territory. If you do not exercise your right of first offer, or you and we cannot agree on number of Restaurants you must develop or the timeline for development, then we may offer the development rights in such territory to any third party.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, SF grants you the right and license to use the Proprietary Marks and the System solely in connection with your Franchise. You may use the marks "Salsarita's®" and "Salsarita's Fresh Mexican Grill®" and such other Proprietary Marks as are designated in writing by us for your use, and you may use them only in the manner authorized and permitted by us. You may not directly or indirectly contest our ownership of or rights in the Proprietary Marks. We have the right, upon reasonable notice to you (which will be at least six months in advance) to change, discontinue, or substitute any of the Proprietary Marks and adopt new Proprietary Marks for use with the System without any liability for any

diminishment of the System. You must implement any such change at your expense within the time that we specify.

Holdings is the owner of the Proprietary Marks, including the principal Proprietary Marks identified in the table below. We have entered into a license agreement with Holdings which grants us a 99 year license to use, and license others to use, the Proprietary Marks. These principal Proprietary Marks have been registered with the United States Patent and Trademark Office (“USPTO”) on the Principal Register, and all required affidavits of continued use and applications for renewal have been filed and accepted.

Description of Mark	Registration Date	Registration Number
Salsarita’s (typed)	July 3, 2001	2,466,514
	November 7, 2017	5,331,138
	November 7, 2017	5,331,137
	May 22, 2012	4,146,380
	May 22, 2012	4,146,373

There are no effective material determinations of the USPTO, the Trademark Trial and Appeals Board, the Trademark Administrator, or any state or any court relating to the Proprietary Marks. There is no pending infringement, opposition or cancellation proceeding, or material litigation involving the Proprietary Marks.

There are no agreements currently in effect which limit our right to use or license the use of the Proprietary Marks in a manner material to the Franchise. The logo is part of the Proprietary Marks.

You are required to notify us in writing of any apparent infringement of, or challenge to, your use of the Proprietary Marks, of which you become aware. You are also required to notify us in writing of any claim by any person of any right in the Proprietary Marks or any similar trade name, of which you become aware. We are not required to take affirmative action when notified of these uses or claims and we are not required to defend or indemnify you against any claims of infringement or unfair competition arising out

of your use of the Proprietary Marks, even if you are a party to an administrative or judicial proceeding and the proceeding is resolved unfavorably to you. If litigation involving the Proprietary Marks is instituted or threatened against you, the Franchise Agreement requires you to notify us promptly and cooperate fully with us in defending or settling any resulting litigation. However, we will have exclusive control over any administrative proceedings or litigation.

If it becomes advisable at any time in our sole discretion, for you to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, you must comply with our directions within a reasonable time after we notify you. We will have no liability or obligation whatsoever with respect to your modification or discontinuance of the Proprietary Marks. You must agree that any costs for modifying or changing the Proprietary Marks will be borne by you and such modification or change of Proprietary Marks will be completed by you within a reasonable period of time (which will be at least six months) after we notify you.

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights. No patents or patents pending are material to the franchise. We claim copyrights in the Manuals (which contains trade secrets), advertising and marketing materials, certain operations literature, our web site, and similar items used in operating Restaurants. We have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify (and must stop using them if we so direct you).

There are currently no material determinations or proceedings of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding our copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We have no obligation to protect a copyright or to defend you against claims arising from your use of copyrighted material. We also are not required to take affirmative action when notified of instances of potential infringement and are not required to participate in your defense or indemnify you. In the event of any infringement involving our copyrights, we have the right to control any litigation. If we modify or discontinue the use of any copyright subject matter for franchisees, you must make the required changes.

Confidential Operations Manuals. We will provide you with electronic access to the Manuals for the term of the Franchise Agreement, when you have completed the initial training program to our satisfaction. Under the Franchise Agreement, you must operate the Franchise in accordance with the standards, methods, policies, and procedures specified in the Manuals. You are permitted to print one copy of the Manuals for operational purposes. However, you must at all times treat the Manuals (including any copies) and the information contained in the Manuals as confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manuals will remain our sole property and must be returned in the event that you cease to be a franchisee. We may periodically revise the contents of the Manuals, and you must comply with each new or changed provision. You must ensure that you

copy of the Manuals is kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the version maintained by us at our principal place of business will be controlling.

Confidential Information and Trade Secrets. The Franchise Agreement requires you to maintain all Confidential Information and trade secrets of SF as confidential both during and after the term of the Franchise Agreement. “**Confidential Information**” means all of SF’s confidential and proprietary business information and includes, among other things, the Manuals. You may not at any time disclose, copy or use any of SF’s Confidential Information or trade secrets except as necessary to perform your obligations under the Franchise Agreement and Development Agreement, as applicable. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure agreements with those having access to such information. We may regulate the form of confidentiality agreement that you use.

Newly Developed Products and Services. You must fully and promptly disclose to us all ideas, names, concepts, methods, recipes and techniques relating to the development, operation or promotion of your Restaurant, which you or your staff conceive or develop. We will have the perpetual right to use and authorize other franchisees to use such ideas, names, concepts, methods, recipes and techniques without any consideration to you.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are not obligated to participate personally in the direct operation of the Restaurant; however, you must designate and retain an individual to serve as the Operating Principal, who will be principally responsible for the operation of the Franchise (“**Operating Principal**”). Unless we otherwise agree, the Operating Principal must meet all of the following qualifications: (A) the Operating Principal must be an equity owner of at least 10% of the controlling entity of the Franchise; (B) the Operating Principal must, at a minimum, have full control over the day-to-day activities of the Restaurant and those other restaurants (that are franchised by us or our affiliates) operated by you in the same geographic area as the Restaurant, including control over employment decisions, the standards of operation and financial performance; (C) the Operating Principal must devote full-time and best efforts to supervising the operation of the Restaurant and those other restaurants (that are franchised by us or our affiliates) operated by you in the same geographic area as the Restaurant and may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; (D) the Operating Principal must maintain his primary residence within a reasonable driving distance of the Restaurant; and (E) we must have approved the Operating Principal, and not have later withdrawn that approval.

You must also employ a manager for the Restaurant (who may, but need not, be the same person as the Operating Principal) who, at all times, will be responsible for the day-to-day management of the Franchise and who demonstrates, to our reasonable satisfaction, that he or she meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; and has the aptitude and ability to operate the Franchise (“**Manager**”). There is no requirement that the Manager of your Franchise have an ownership interest in the franchising entity unless the Manager is also the Operating Principal.

You, or if the franchisee is an entity, the Operating Principal, the Manager and other management employees designated by us, must successfully complete our initial training program and other training programs designated by us periodically, including a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. At all times that the Restaurant is open for business, at least one person must be on site who has been trained in ServSafe and completed any other locally-required safety or health training.

We require prospective franchisees to demonstrate that they possess adequate capital, or access to capital, to fund the establishment and operation of a Restaurant under the Franchise Agreement or their development activities under the Development Agreement. This may involve you providing us with a capitalization plan before we decide to grant a franchise to you. In certain cases, we may require one or more legal or beneficial owners of the franchisee or developer entity to personally guarantee all the obligations of the entity under the Franchise Agreement or Area Development Agreement.

We also may require some or all of your principals, or the other legal and beneficial owners of the franchisee or developer entity, to be bound by certain covenants contained in the Franchise Agreement or Development Agreement, including, among others, covenants against competition and disclosure of Confidential Information, obligations regarding use of the Proprietary Marks, and restrictions on transfer and assignment of their interests.

You must obtain and deliver to us signed covenants of confidentiality from persons who receive or have access to training and other confidential information concerning the System. We may also require certain of your owners to sign and deliver covenants of non-competition. The covenants must be in a form satisfactory to us, and, in some cases, must provide that we are a third-party beneficiary of, and have the independent right to enforce, the covenants. Our current forms of confidentiality agreements and non-compete agreements are attached as exhibits to the Franchise Agreement and Area Development Agreement in this Franchise Disclosure Document.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Franchise in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as described in the Manuals and in other writings issued by SF periodically. You must use the Restaurant only for the operation of the Franchise and may not operate any other business at or from the Restaurant without our express prior written consent.

We require you to offer and sell only those goods and services that we have approved. We maintain a written list of approved goods and services in our Manuals, which we may change periodically.

You must offer all goods and services that we designate as required for all Franchises. In addition, we may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before we will allow you to offer certain optional goods and services. We have the right to remove, add or change the menu items, ingredients, products, materials, supplies and paper goods or the standards and specifications of each, and there are no limits on our ability to do so.

We reserve the right to designate additional required or optional goods and services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements.

You may engage in catering as prescribed in the Manuals, but we may restrict the areas in which you are permitted to offer catering services outside of your Catering Territory. And except for the online or other electronic ordering systems and platforms that we specify from time to time in the Manuals, you are not permitted to sell or deliver products over the Internet or through any website, mobile application or other electronic means. Nor are you permitted to sell or deliver products or services into supermarkets or retail stores or use any other alternative channel of distribution. You may only sell products to consumers for consumer purposes (and not for resale). Except as described above and in the Franchise Agreement, there are no limits with respect to your customers.

We may require or permit you to participate in the services of one or more third party aggregators (“3PA’s”), which are services that take orders from the public through their own service platforms and pass the order along to a restaurant for fulfillment. Examples of current 3PA’s include Grub Hub, Uber Eats, Door Dash and EZ Cater. 3PA’s typically charge a fee to the restaurant for receiving the order. This may be expressed as a percentage of the sale or not. A 3PA may provide delivery services or may require the restaurant to provide them. Payment is typically made directly to the 3PA by the customer. You must use 3PA’s in accordance with our instructions, guidelines and procedures, including those related to inputting data and providing us with access to the related information. We may negotiate the terms of the contract that applies to your use of a 3PA, which may affect the fees you pay and require you to honor discounts and other customer incentives. You may not use or engage in any 3PA’s that have been disapproved by us. Approval to participate in a 3PA may be conditioned or withdrawn at any time in our discretion.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Franchise Agreement

	Provision	Section(s) in Franchise Agreement	Summary
a.	Length of the Franchise term	Section II.A.	10 years from the date the Restaurant begins operations, but in no event more than 11 years.
b.	Renewal or extension of the term	Section II.B.	2 renewal terms of 5 years each.
c.	Requirements for you to renew or extend	Section II.B.	Complied with Franchise Agreement; maintain possession of Franchise location and refurbishment; satisfied monetary obligations; signed current form of Franchise Agreement (which may contain materially different terms and conditions as the original agreement) and paid renewal fee; complied with qualification and training requirements; signed general release.
d.	Termination by you	Section XV.A.	You may terminate the Franchise Agreement if you are in compliance and SF has not cured a material breach within 30 days after notice.
e.	Termination by us without cause	Not Applicable	The Franchise Agreement cannot be terminated without cause.
f.	Termination by us with cause	Section XV.B. and C.	We can terminate the Franchise Agreement only if you default.
g.	“Cause” defined-defaults which can be cured	Section XV.B.	You have 30 days to cure any breach of the Franchise Agreement, except those listed in subsection (h) below.

	Provision	Section(s) in Franchise Agreement	Summary
h.	“Cause” defined-defaults which cannot be cured	Section XV.C.	<p>Failure to pay amounts owed to us; failure to pay your creditors; failure to operate the Restaurant; failure to submit required financial statements and reports; understating Net Revenues or other information; material misrepresentation of information; unapproved transfer by you or your owners; your bankruptcy or insolvency; violation of confidentiality obligations; you are convicted of a felony, morally-offensive crime, or engage in conduct harmful to the franchise system; failure to obtain approval for site within 180 days after execution of Franchise Agreement; failure to commence operations within 180 after approval of site; violation of non-competition covenants; threat or danger to public safety results from the Restaurant or violation of any public health and safety law; operation of the Restaurant in an unlawful manner; misuse of the Proprietary Marks; default under the lease agreement for the premises that is not cured; failure to attend and successfully complete training; failure to obtain written approval of advertising plans and materials or failure to comply with advertising policies; offer of unauthorized products or services; an event of default occurs under any other agreement between you or your affiliates and SF or its affiliates; you commit three or more breaches of the Franchise Agreement during any 12 month period; you fail to maintain operating standards on two or more occasions during any 12 month period and fail to correct operation deficiencies after notice. Termination of the Franchise Agreement permits us to terminate any Development Agreement you have entered into with us.</p>

	Provision	Section(s) in Franchise Agreement	Summary
i.	Your obligations on termination/non-renewal	Section XVI	Includes, among other things, satisfaction of monetary obligations, including obligation to pay liquidated damages; return of the Manuals and other Confidential Information; cancellation of assumed names and transfer of phone numbers; transfer of URLs, web pages, email accounts, social media accounts; cease using Proprietary Marks; cease operating Franchise; and your modification of the premises.
j.	Assignment of contract by SF	Section XIX.A.	No restriction on right to transfer by SF.
k.	“Transfer” by you—defined	Section XIX.B.	Any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any interest in you (if you are a business entity), the Franchise Agreement, the license, the franchise or any other assets relating to your operations under the Franchise Agreement.
l.	SF’s approval of transfer by you	Section XIX.B.	We have the right to approve all transfers. If you are a business entity, we will consent to the transfer of 10% or less of your ownership interests if you comply with certain conditions.
m.	Conditions for our approval of transfer	Section XIX.B.	Transferee meets current standards, does not operate a similar business and signs current form of Franchise Agreement; franchisee agrees to remain liable for obligations arising prior to the transfer; transferee signs current form of Franchise Agreement; satisfaction of monetary obligations; franchisee pays SF a transfer fee; sign a general release.
n.	SF’s right of first refusal to acquire your business	Section XIX.C.	We have the option to match any offer for your Franchise.
o.	SF’s option to purchase your business	Sections XVI.J.	We have the option to purchase your Franchise on termination or non-renewal.
p.	Your death or mental incapacity	Section XX	Same restrictions on transfer as any other transfer, but we may terminate the Franchise Agreement if interest is not transferred within 3 months.
q.	Non-competition covenants during the term of the Franchise	Section XVIII.C.	No involvement in a competitive business during the term of the Franchise Agreement.

	Provision	Section(s) in Franchise Agreement	Summary
r.	Non-competition covenants after the Franchise is terminated or expires	Section XVIII.C.	No involvement in a competitive business for 1 year after termination of the Franchise Agreement from your Franchise location, within your Protected Territory or a 5-mile radius of any other Restaurant. No involvement in a business licensing others to operate a competitive business for 1 year after termination.
s.	Modification of the agreement	Section XXII.K.	Must be in writing by both sides.
t.	Integration/ merger clause	Section XXII.K.	Only the terms of the Franchise Agreement are enforceable. The integration/merger clause does not disclaim the representations in this disclosure document.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable.
v.	Choice of forum	Sections XI.F., XII.C., XVIII.G. and XXII.B.	You can only file suit where our principal offices are located; we may file suit in the jurisdiction where our principal offices are located, where you reside or do business, where the Restaurant is or was located, or where the claim arose, subject to state law.
w.	Choice of law	Section XXII.A.	North Carolina law applies, subject to state law.

Development Agreement

	Provision	Section(s) in Development Agreement	Summary
a.	Length of the Development Agreement term	Section II	Expires on the date the last Franchise is to be opened, as specified in the Development Schedule attached to the Development Agreement.
b.	Renewal or extension of the term	Not Applicable	Not Applicable.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable.
d.	Termination by you	Not Applicable	You may terminate on any grounds available by law.
e.	Termination by SF without cause	Not Applicable	The Development Agreement cannot be terminated without cause.
f.	Termination by SF with cause	Section VI	We can terminate only if you default or if certain events (described in (h) below) occur.

	Provision	Section(s) in Development Agreement	Summary
g.	“Cause” defined-defaults which can be cured	Not Applicable	Not Applicable.
h.	“Cause” defined-defaults which cannot be cured	Section VI.A.	Failure to open and operate Facilities in accordance with the development schedule; failure to pay the development fee; an event of default occurs under any other agreement between you or your affiliates and SF or its affiliates and provides SF with termination right; you make a material misrepresentation on your application to own a Franchise; you disclose our Confidential Information; you engage in any activity that has a materially adverse effect on SF or the Proprietary Marks; you engage in a transfer without our approval; you commit 3 or more breaches of the Development Agreement during any 12 month period; your bankruptcy, insolvency, or filing a petition for relief. Termination of the Development Agreement by us permits us to terminate any Franchise Agreement you have entered into with us, unless the sole reason for termination is for your failure to comply with the development schedule.
i.	Your obligations on termination/non-renewal	Section VI.C. and VII	Includes payment of any and all amounts due, compliance with continuing obligations, covenant not to compete and return of Confidential Information and cease using Proprietary Marks, unless you have the right to retain the Confidential Information or use the Proprietary Marks under another valid agreement with SF, and providing SF with written proof of compliance.
j.	Assignment of contract	Section VIII.A.	No restriction on right to transfer by SF.
k.	“Transfer” by you—defined	Section VIII.B.	Any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any interest in you (if you are a business entity), the Development Agreement or any other assets relating to your operations under the Development Agreement.
l.	SF’s approval of transfer by you	Section VIII.B.	We have the right to approve all transfers.

	Provision	Section(s) in Development Agreement	Summary
m.	Conditions for SF's approval of transfer	Section VIII.B.	You must receive our approval. Transferee meets current standards and does not operate a similar business; you agree to remain liable for obligations arising prior to the transfer; transferee signs current form of Development Agreement; satisfaction of monetary obligations; payment of a transfer fee; sign a general release. At our option, you must also assign all of your rights under Franchise Agreements relating to Restaurants in your Development Area.
n.	SF's right of first refusal to acquire your business	Section VIII.C.	We have the option to match any offer for your Franchise.
o.	SF's option to purchase your business	Not Applicable	Not Applicable.
p.	Your death or mental incapacity	Section VIII.D.	Same restrictions on transfer as any other transfer, but we may terminate the Development Agreement if interest is not transferred within 3 months.
q.	Non-competition covenants during the term	Section VII.B.	No involvement in a competitive business during the term of the Development Agreement.
r.	Non-competition covenants after the Development Agreement is terminated or expires	Section VII.B.	No involvement in a competitive business from the Franchise location(s), within the restricted area as defined in any of your Franchise Agreements, within the development area, or within a 5-mile radius of any other Restaurant for 1 year after termination or expiration.
s.	Modification of the Development Agreement	Section IX.K.	Must be in writing by both sides.
t.	Integration/ merger clause	Section IX.K.	Only the terms of the Development Agreement are enforceable. The integration/merger clause does not disclaim the representations in this disclosure document.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable.
v.	Choice of forum	Section IX.B.	You can only file suit where our principal offices are located; we may file suit in the jurisdiction where our principal offices are located; where you reside or do business; where the Restaurant is or was located; or where the claim arose, subject to state law.
w.	Choice of law	Sections IX.A.	North Carolina law applies, subject to state law.

Certain states require franchisors to make additional disclosures related to the information contained in this disclosure document. These disclosures are contained in **Exhibit A** to this disclosure document.

ITEM 18

PUBLIC FIGURES

SF does not use any public figure to promote the Restaurants.

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ITEM 19

FINANCIAL PERFORMANCE REPRESENTATION

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 this 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.

The average annual Gross Sales of Salsarita’s Restaurants at traditional locations, company-owned and franchised open for the entire operating year of 2024 was \$1,244,494. This average represents 53 such locations. Twenty such locations exceeded this average. The sales ranged from \$507,777 to \$3,219,392.

In operating year 2024, our nine company-owned and affiliated locations averaged \$1,074,147 in Gross Sales. Gross sales in operating year 2024 at those locations were as follows:

Location	2024 Gross Sales
A	\$ 1,414,005
B	\$ 1,287,408
C	\$ 1,195,875
D	\$ 747,004
E	\$ 1,005,733
F	\$ 905,851
G	\$ 1,295,427
H	\$ 741,423
I	\$ 1,074,601

In addition, the 2024 average annual Gross Sales of the top, middle and bottom third of Salsarita’s Restaurants at traditional locations, company-owned and franchised, and the percentage in each group surpassing the average, and the standard deviation around the average, were as follows:

2024 AVERAGE ANNUAL NET SALES OF THE TOP, MIDDLE AND BOTTOM THIRD TRADITIONAL FRANCHISED SALSARITA’S RESTAURANTS			
Rank	Average (# Surpassing)	Standard Deviation	Median
Top Third (15 Restaurants)	\$1,904,787 (5 of 18)	\$553,216	\$1,630,805
Middle Third (16 Restaurants)	\$1,135,046 (9 of 17)	\$89,343	\$1,150,435
Bottom Third (15 Restaurants)	\$784,734 (9 of 18)	\$133,750	\$805,118

2024 AVERAGE ANNUAL NET SALES OF THE TOP, MIDDLE AND BOTTOM THIRD TRADITIONAL COMPANY-OWNED AND AFFILIATE SALSARITA'S RESTAURANTS			
Rank	Average (# Surpassing)	Standard Deviation	Median
Top Third (3 Restaurants)	\$1,332,280 (1 of 3)	\$57,881	\$1,295,427
Middle Third (3 Restaurants)	\$1,092,069 (1 of 3)	\$78,602	\$1,047,601
Bottom Third (3 Restaurants)	\$798,092 (1 of 3)	\$76,231	\$747,0404

We have excluded 19 Salsarita's Restaurants from 2024 averages because either their operations were substantially different due to being located in non-traditional locations such as airports, universities and corporate campuses (12 Locations) or because they were not open and operating for the entire relevant period (7 locations). These figures are based on the Gross Sales reports that we receive from franchisees and affiliate Point-of-Sale systems. The term "**Gross Sales**" means the total sales and fees received by the restaurant before deduction for discounts, returns, allowances and sales taxes. These tables do not reflect the costs of sales, operating expenses, Royalty Fees, advertising contributions, and other costs or expenses that must be deducted from the Gross Sales figure to obtain figures of income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Some outlets have sold these amounts. Your individual results may differ. There is no assurance that you'll sell as much. Written substantiation of the financial performance information will be made available to you upon reasonable request. The information in this Item 19 is a historical financial performance representation about the franchise system's existing outlets.

You are responsible for developing your own business plan for your Restaurant, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. We encourage you to consult with your own accounting, business and legal advisors and to make necessary allowances for changes in financial results to income, expenses or both.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Philip Friedman, our CEO, at 5260 Parkway Plaza Blvd., Suite 160, Charlotte, NC 28217, (704) 540-9447, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

**System-Wide Outlet Summary
For Fiscal Year 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year*	Net Change
Franchised	2022	61	62	+1
	2023	62	60	-2
	2024	60	56	-5
Company-Owned*	2022	14	11	-3
	2023	11	11	0
	2024	11	9	-2
Total Outlets	2022	73	71	-2
	2023	71	69	-2
	2024	69	65	-4

* Company-owned outlets include those outlets owned, directly or indirectly, by one of our affiliates, or by any person required to be identified in Item 2 of this Franchise Disclosure Document.

Table No. 2

**Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Fiscal Year 2022 to 2024**

State	Year	Number of Transfers
New York	2022	0
	2023	3
	2024	0
North Carolina	2022	0
	2023	0
	2024	1
South Carolina	2022	0
	2023	1
	2024	0
Totals	2022	0
	2023	4
	2024	1

Table No. 3

**Franchised Outlets Status Summary
For Fiscal Year 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Arkansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Indiana	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Kentucky	2022	4	0	1	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Maryland	2022	2	0	0	0	0	0	2
	2023	2	0	0	1	0	0	1
	2024	1	0	0	0	0	0	1
Michigan	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
New Jersey	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	1	3
North Carolina	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	0	2	12
	2024	12	0	0	0	0	1	11
South Carolina	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	6
Tennessee	2022	16	0	0	0	0	0	16
	2023	16	1	0	0	0	0	17
	2024	17	0	0	0	0	2	15
Texas	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Virginia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Totals	2022	61	3	1	0	0	1	62
	2023	62	1	0	1	0	2	60
	2024	60	1	0	0	0	6	55

Table No. 4

**Company Outlets Status Summary
For Fiscal Year 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closes	Outlets Sold to Franchisees	Outlets at End of the Year
Mississippi	2022	3	0	0	2	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
North Carolina	2022	7	0	0	0	0	7
	2023	7	0	0	0	0	7
	2024	7	0	0	1	0	6
South Carolina	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	1	1
Tennessee	2022	2	0	0	1	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Totals	2022	14	0	0	3	0	11
	2023	11	0	0	0	0	11
	2024	11	0	0	1	1	9

Table No. 5

**Projected Openings
As of January 1, 2025**

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants In 2025	Projected New Company Owned Openings In 2025
NC	0	0	1
TN	1	1	0
KY	1	1	0
Totals	2	2	1

NOTES:

Restaurants in Table No. 5 above include Franchises sold under signed Franchise Agreements, as well as licenses to develop Franchises sold under Area Development Agreements.

Current Franchisees

A list of the names of all franchisees and the address and telephone numbers of their Restaurants as of the date of this disclosure document is attached as Part A of **Exhibit J** to this disclosure document.

Former Franchisees

The name and last known home address of every Salsarita’s franchisee who has had a Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement in 2024, or has failed to communicate with us within 10 weeks of the date of this disclosure document, are included as Part B of **Exhibit J**.

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

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet that is now owned by us, we will provide you additional information on the previously-owned franchised outlet in an addendum to this disclosure document.

Confidentiality Agreements

During the last three fiscal years, we signed agreements with franchisees, developers and area representatives that contained confidentiality clauses that would restrict a franchisee’s, developer’s and area representative’s ability to speak openly about their experience. In some instances, current and former franchisees, developers and area representatives sign provisions restricting their ability to speak openly about their experience with the Salsarita’s brand. You may wish to speak with current and former franchisees, developers or area representatives, but be aware that not all of those franchisees, developers and area representatives will be able to communicate with you.

Trademark-Specific Franchisee Organizations

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit I** to this disclosure document is (i) our Financial Statements and Independent Auditor’s Report for the Fifty-Two Weeks Ended December 29, 2024 and December 31, 2023, (ii) our Financial Statements and Independent Auditor’s Report for the Fifty-Two Weeks Ended December 31, 2023 and January 1, 2023, and (iii) our unaudited financial statements for the franchisor’s fiscal year to date as of February 23, 2025.

ITEM 22

CONTRACTS

Attached are copies of the following agreements relating to the offer of the Franchise:

- Exhibit D Franchise Agreement
- Exhibit E State-Specific Amendments to Franchise Agreement
- Exhibit F Area Development Agreement
- Exhibit G State-Specific Amendments to Area Development Agreement
- Exhibit H Confidentiality/Nondisclosure Agreement
- Exhibit K General Release

ITEM 23

RECEIPTS

The last two pages of this Franchise Disclosure Document, with issuance date of April 21, 2025, are two copies of a Receipt. You must sign each copy of the Receipt and, after execution, send one copy to us and keep the other copy for your records.

EXHIBIT A

STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA

1. The following is added to the Cover Page of the Franchise Disclosure Document:

“THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.”

2. The following is added to Item 3 of the Franchise Disclosure Document:

“Neither the Franchisor, nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.”

3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

4. The Franchise Agreement contains a covenant not to compete which, in the case of the Franchise Agreement, extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

6. The Franchise Agreement and Development Agreement require application of the laws of North Carolina. These provisions may not be enforceable under California law.

7. Our website, www.salsaritas.com has not been reviewed or approved by the California Department of Corporations. Any complaints concerning the content of this website may be directed to the Department of Financial Protection and Innovation at <https://dfpi.ca.gov/>.

8. California’s Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

9. **Registration of this Franchise Disclosure Document does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

HAWAII

The following is added to the Cover Page of the Disclosure document:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:
None
2. This proposed registration is or will shortly be on file in the following states:
California, Hawaii, Illinois, Indiana, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin
3. States which have refused, by order or otherwise, to register these franchises are:
None
4. States which have revoked or suspended the right to offer the franchises are:
None
5. States in which the proposed registration of these franchises has been withdrawn are:
None

ILLINOIS

The Franchise Disclosure Document is amended to state as follows:

- a. Illinois law governs the Franchise Agreement.
- b. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
- c. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- e. 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.
- f. Consistent with Section XIII.C of the Agreement, Franchisor has the right to require Franchisee to remodel and modernize the Restaurant once every five years to conform to Franchisor's then-current system image. Franchisee should expect to spend up to \$100,000 every five years for such remodel

MARYLAND

1. The following statements are added to Item 17:

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against the Franchisor, including upon renewal or transfer, does not release any claim you may have 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.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. 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.

MICHIGAN

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTling ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(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 A 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 FRANCHISEE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

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.

AS TO ANY STATE LAW DESCRIBED IN THIS ADDENDUM THAT DECLARES VOID OR UNENFORCEABLE ANY PROVISION CONTAINED IN THE FRANCHISE AGREEMENT, FRANCHISOR RESERVES THE RIGHT TO CHALLENGE THE ENFORCEABILITY OF THE STATE LAW BY, AMONG OTHER THINGS, BRINGING AN APPROPRIATE LEGAL ACTION OR BY RAISING THE CLAIM IN A LEGAL ACTION OR ARBITRATION THAT YOU HAVE INITIATED.

Any questions regarding this Addendum should be directed to the State of Michigan, Department of Attorney General, Consumer Protection Division, Attn: Franchise, P.O. Box 30213, Lansing, MI 48909, telephone number (517) 373-7117.

MINNESOTA

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

THE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. In **Item 13** of the Franchise Disclosure Document, the third sentence of the 5th paragraph beginning with “We are not required . . .” and ending with “. . . resolved unfavorably to you” is deleted and the following text is added in lieu thereof:

“SF agrees to do all such acts and things as may, in the opinion of the SF’s counsel, be necessary or advisable to protect your interests in the Proprietary Marks (which includes all trademarks, service marks, trade names, logotypes or other commercial symbols licensed to you by us in the Franchise Agreement) in the event of any challenge to your right to use the Proprietary Marks, or to indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the same.”

2. In **Item 17** of the Franchise Disclosure Document, the following text is added at the end of the “Summary” section of subsection (v) of the Franchise Agreement table:

“However, the applicable provisions of the Franchise Agreement are amended by the State-Specific Amendment to the Franchise Agreement (Minnesota) in accordance with Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J, which prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this disclosure document or any agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

3. In **Item 17** of the Franchise Disclosure Document, the following text is added at the end of the “Summary” section of subsection (v) of the Development Agreement table:

“However, the applicable provisions of the Development Agreement are amended by the State-Specific Amendment to the Development Agreement (Minnesota) in accordance with Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J, which prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this disclosure document or any agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4. In **Item 17** of the Franchise Disclosure Document, the following sentence is added at the end of the “Summary” section of subsections (b) and (g) of the Franchise Agreement table:

“However, with respect to franchises governed by Minnesota law, SF will comply with Minn. Stat. Sec. 80C.14, Subds. 3 and 4, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. The applicable provisions of the Franchise Agreement are amended by the State-Specific Amendment to the Franchise Agreement (Minnesota).”

5. In **Item 17**, the following text is added at the end of the last paragraph:

“Minn. Rule 2860.4400J prohibits us from requiring that you waive your right to a jury trial or waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notices, with the exception of your consent to exclusive arbitration.”

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement or the Development Agreement, SF reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

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 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 with the franchise.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES,

NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party 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.

B. No such party has 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.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of 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.

D. No such party 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.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your 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 General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

1. The Franchise Agreement contains covenants restricting competition. These covenants will be subject North Dakota statute NDCC Section 9-08-06.

2. The Franchise Agreement and Development Agreement require you to consent to the jurisdiction of court outside of North Dakota. These provisions may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

3. The Franchise Agreement requires you to consent to liquidated damages in certain situations. This provision may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and is amended accordingly to the extent required by law.

4. Sections of the Franchise Agreement and Development Agreement specifying that they are to be governed by the laws of a state other than North Dakota may not be enforceable under

Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

5. The Franchise Agreement and Development Agreement require you to consent to the waiver of a trial by jury. These requirements may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

6. The Franchise Agreement and Development Agreement require you to waive exemplary and punitive damages. These requirements may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

7. The Franchise Agreement requires you to sign a general release upon renewal of the Franchise Agreement. This requirement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and is amended accordingly to the extent required by law.

8. The Franchise Agreement and Development Agreement are amended to state that the statute of limitations under North Dakota law will apply.

9. The Franchise Agreement and Development Agreement require you to pay all costs and expenses incurred by us in enforcing the agreement. These requirements may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to state that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Registration of this Franchise Disclosure Document does not constitute approval, recommendation, or endorsement by the securities commissioner.

RHODE ISLAND

1. In Item 17 of the Franchise Disclosure Document, the following sentences are added:

Pursuant to Section 19-28.1-14 of the Rhode Island Franchise Investment Act, a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.

Pursuant to Section 19-28.1-15 of the Rhode Island Franchise Investment Act, if you are required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, the release will exclude claims arising under the Rhode Island Franchise Investment Act, and the acknowledgments will be void with respect to claims under the Act.

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement or the Development Agreement, SF reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

VIRGINIA

1. In **Item 1** of the Franchise Disclosure Document, the following sentence is added at the end of the paragraph titled “State Disclosure Requirements”:

“SF’s registered agent for service of process in the State of Virginia is the Clerk of the State Corporation Commission, 1300 East Main Street, Richmond, Virginia 23219.”

2. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia will be amended as follows:

The following statement is added to **Item 17.h.**:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement or 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.

The following statement is added to **Item 17.**:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

3. The summary of **Item 17.t** is hereby deleted in its entirety and replaced with the following statement:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement or Development Agreement, SF reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

WASHINGTON

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. 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.
9. Items 17(d), (t) and (u) of the Franchise Disclosure Document are hereby amended to indicate that these provisions are subject to state law.

Each provision of this Washington amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this Amendment.

EXHIBIT B

STATE ADMINISTRATORS

STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR
CALIFORNIA	Department of Financial Protection and Innovation main offices: <u>Sacramento:</u> 2101 Arena Boulevard Sacramento, CA 95834 916-445-7205 <u>San Francisco:</u> One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 <u>Los Angeles:</u> 320 West 4th Street, Suite 750, Los Angeles, CA 90013-2344 (213) 576-7500 <u>San Diego:</u> 1350 Front St. #2034, San Diego, CA 92101-3697 (619) 525-4233
HAWAII	Dept. of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities King Kalakaua Building 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2744
ILLINOIS	Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 217-782-1090
INDIANA	Franchise Section Indiana Securities Division Secretary of State 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-7786
MICHIGAN	Michigan Department of Attorney General 670 G. Mennen Williams Building 525 West Ottawa Lansing, Michigan 48933 517-373-7117

STATE	STATE ADMINISTRATOR
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 Saint Paul, MN 55101 (651) 539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st FL New York, NY 10005 212-416-8222
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street, NE, Room 410 Salem, OR 97310 503-378-4387
RHODE ISLAND	Department of Business Regulation 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 401-462-9527
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501 605-773-4823
VIRGINIA	Director, Division of Securities and Retail Franchising State Corporation Commission 1300 E. Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 201 W. Washington Avenue, Suite 500 Madison, WI 53703 608-266-8557

EXHIBIT C

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of the Department of
Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles 90013-2344

HAWAII

Hawaii Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

ILLINOIS

Attorney General of the State of Illinois
500 South Second Street
Springfield, IL 62706

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

Michigan Department of Commerce
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, MN 55101

MISSISSIPPI

R. Barry Cannada
1020 Highland Colony Parkway
Suite 1400
Ridgeland, MS 39157
(P.O. Box 6010
Ridgeland, MS 39158-6010)

NEW YORK

Secretary of State of New York
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231

NORTH CAROLINA

Philip Friedman
4601 Charlotte Park Drive, Suite 250
Charlotte, NC 28217

NORTH DAKOTA

North Dakota Securities Commissioner
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, ND 58505-0510

RHODE ISLAND

Department of Business Regulation
Securities Division
1511 Pontiac Avenue, Bldg. 69-1
Cranston, RI 02920

SOUTH DAKOTA

Director of South Dakota
Division of Securities
124 S Euclid, Suite 104
Pierre, SD 57501

VIRGINIA

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

WASHINGTON

Director, Dept. of Financial Institutions
Securities Division
150 Israel Rd S.W.
Tumwater, WA 98501

WISCONSIN

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, WI 53703

EXHIBIT D

FRANCHISE AGREEMENT

Location: _____



FRANCHISE AGREEMENT

- between -

Salsarita's Franchising, LLC

- and -

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SALSARITA'S FRANCHISING, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on **Exhibit A** attached hereto (the “**Effective Date**”) by and between **SALSARITA'S FRANCHISING, LLC**, a Mississippi limited liability company authorized to transact business in North Carolina with its principal place of business at the address set forth on **Exhibit A** (“**Franchisor**”), and the person or entity identified as Franchisee on **Exhibit A** (“**Franchisee**” or “**you**”).

WHEREAS, Franchisor is engaged in the business of operating, and of licensing the operation by others of restaurant facilities under the mark SALSARITA'S® (the “**Restaurant**” or the “**Franchise**”);

WHEREAS, Franchisor has originated, developed and perfected a distinctive system for the establishment, operation and merchandising of Restaurants, which system includes, but is not limited to, site selection, a distinctive and readily recognizable design, color scheme, decor, layout, trademarks and service marks, and signage for the business premises, equipment selection and installation, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential operations manual of operating procedures containing specially conceived and designed methods for Restaurant operations (collectively, the “**System**”); and

WHEREAS, Franchisee desires to establish and operate a Restaurant under the SALSARITA'S® mark and other service marks, trademarks, associated designs, artwork and logos set forth on **Exhibit B** attached hereto (all such marks, and all other marks, trade names, logos, art work and designs, whether now existing or hereafter incorporated into the System, shall be collectively referred to herein as the “**Proprietary Marks**”);

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. GRANT

A. License

1. Upon the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate a Franchise using the Proprietary Marks and the System (the “**License**”) at a location (the “**Designated Location**”) to be agreed upon between Franchisor and Franchisee within a protected territory described in **Exhibit A** (the “**Protected Territory**”). Once agreed upon, the Designated Location shall be set forth on **Exhibit A** and initialed by the parties; provided that Franchisee shall have a right to relocate the Restaurant to another approved location in the Protected Territory upon payment of a \$7,500 relocation fee to Franchisor and written approval of the new location obtained in accordance with Franchisor's site selection criteria. Franchisee hereby accepts the License and agrees to operate the Franchise according to the provisions of this Agreement for the term of this Agreement specified in **Section II**.

2. Franchisee also has the right to provide off-premises catering services of authorized Salsarita's food products and beverages to businesses or other locations within a catering territory described in **Exhibit A** (the “**Catering Territory**”) provided Franchisee follows all procedures and menu requirements, purchases all supplies, products and ingredients through approved suppliers, and otherwise follows the Manual (as defined in **Section X.Q.**) as to catering. The Catering Territory serves merely as a boundary for Franchisee's catering activities and does not provide Franchisee with any exclusive or other territorial rights. Franchisee may, on a non-exclusive basis, offer catering services outside of the Catering Territory; however, Franchisor may, in its sole discretion at any time and from time to time, restrict the areas in which Franchisee is permitted to offer catering services outside of the Catering Territory (including, without limitation, by restricting Franchisee's

catering activities to the Catering Territory alone). Franchisor reserves the right to revise the Catering Territory at any time if revising the Catering Territory is, in Franchisor's sole judgement, necessary or appropriate to properly service customers in certain geographic areas or on account of additional Restaurants that have been developed since the Catering Territory was first established or last revised.

B. Reservation

Except within the Protected Territory, Franchisee has no exclusive territorial rights, protected territory or other right to exclude, control or impose conditions on the location or development of other or future Franchisor and affiliate-owned businesses and franchises under the Proprietary Marks or on Franchisor's business activities. Franchisor and its affiliates may establish Restaurants and grant licenses to third parties for Restaurants outside of the Protected Territory, and Franchisee has no right to restrict or control the development of such Restaurants. Franchisor may offer and sell franchises and establish Franchisor and affiliate-owned units that sell similar products or may allow others to sell similar products under marks other than the Proprietary Marks at any location, including within the Protected Territory. In addition, Franchisor reserves the right, on its own or through an affiliate, or through its franchisees, to develop non-traditional locations under the Proprietary Marks in airports, stadiums, educational institutions (including colleges & universities), bus stations, factories, federal, state or local government facility (including military bases), hospitals and other health-care facilities, recreations facilities, schools, warehouse clubs, seasonal facilities, casinos, theaters, museums, theme parks, train stations, enclosed shopping malls, lifestyle centers and workplace cafeterias both inside and outside of the Protected Territory. Franchisor and its affiliates may also merchandise and distribute products, identified by the Proprietary Marks or other marks, in the Protected Territory through any alternative methods of distribution, such as, without limitation, on the Internet and through supermarkets.

II. TERM AND RENEWAL

A. Term

This Agreement shall be effective and binding from the date of its execution for an initial term equal to the earlier of (i) the day before the tenth (10th) anniversary of the date that operations of the Franchise commence, and (ii) the eleventh (11th) anniversary of the Effective Date, unless earlier terminated pursuant to the provisions herein.

B. Successor Term

Franchisee, upon the giving of one-hundred eighty (180) days written notice of its intention to enter into a successor term for the License, shall have the right to enter into a successor term for the License for two (2) consecutive successor terms of five (5) years each, provided that all of the following conditions have been fulfilled:

1. Franchisee has, during the term of this Agreement, fully complied with all its provisions, and is not in default of any term of this Agreement at the time of expiration of the initial term or any successor term;
2. Franchisee maintains possession of the Franchise location and, by the expiration date of this Agreement, has brought such Franchise location into full compliance with the specifications and standards then applicable at the time of expiration of the initial term (or any extension thereof) for Restaurants generally, and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Franchise location for the duration of any successor term; or, in the event Franchisee is unable to maintain possession of the Franchise location, or in the judgment of Franchisor, the Franchise should be relocated, Franchisee secures a substitute premises approved by Franchisor as provided herein and has furnished, stocked and equipped such

premises to bring the relocated Franchise at its substitute location into full compliance with the then current specifications and standards of Franchisor for Restaurants by the expiration date of this Agreement and prior to the opening of the Franchise at the substitute location;

3. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and any of its subsidiaries and affiliates and has timely met these obligations throughout the term of this Agreement;

4. Franchisee has executed Franchisor's then current form of Franchise Agreement (with appropriate modifications to reflect the fact that the said agreement relates to the grant of a successor term for the License), which agreement shall supersede in all respects this Agreement the terms of which may differ from the terms of this Agreement, including, without limitation, a higher continuing Royalty Fee and/or local marketing expenditure and/or franchise-wide advertising contribution; provided, however, Franchisee shall not be required to pay the then current Initial Franchise Fee, but shall pay the successor term fee which shall be the higher of thirty percent (30%) of (a) the then current Initial Franchise Fee or (b) the original Initial Franchise Fee paid under this Agreement;

5. Franchisee has complied with Franchisor's then current qualification and training requirements; and

6. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees.

III. SITE SELECTION; CONSTRUCTION AND OPENING OF FRANCHISE

A. Site Selection and Lease or Purchase Agreement

1. Franchisee must obtain Franchisor's approval with respect to a location for the Franchise and the lease or purchase agreement for such location within one hundred and eighty (180) days after the Effective Date.

2. Franchisor shall furnish to Franchisee site selection guidelines, site selection counseling and assistance that Franchisor considers necessary and appropriate, and such on-site evaluation(s) as Franchisor considers necessary and appropriate as part of its evaluation of Franchisee's request for approval of the location of the Franchise premises pursuant to **Section III.A.1**. If Franchisor determines that on-site evaluation is necessary and appropriate (on its own initiative or at Franchisee's request), Franchisor shall provide one such evaluation (to last not more than two days unless otherwise agreed by Franchisor) at its own expense. If Franchisor provides any additional on-site evaluations (at the same or any other location), Franchisee shall reimburse Franchisor for all reasonable costs and expenses incurred by Franchisor in relation to each such additional evaluation, including, without limitation, the cost of travel, lodging and meals for Franchisor's employees and agents. In addition, Franchisee shall pay to Franchisor \$500 per day for each employee or agent of Franchisor that performs such additional evaluation services. **IT IS THE RESPONSIBILITY OF FRANCHISEE TO SELECT A SUITABLE SITE FOR THE FRANCHISE. FRANCHISOR RECOMMENDS THAT FRANCHISEE SEEK THE COUNSEL OF AN EXPERIENCED REAL ESTATE AGENT FAMILIAR WITH THE PROTECTED TERRITORY. FRANCHISEE HEREBY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S APPROVAL OF A PROPOSED SITE SHALL NOT CONSTITUTE A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF THE FRANCHISE.**

3. After receiving Franchisor's written approval of the Franchise location, Franchisee shall either purchase the proposed Franchise location or execute a lease for such Franchise location upon terms that have been approved in advance by Franchisor. Franchisor's approval of the lease for the Franchise location may be conditioned upon inclusion in the lease terms such provisions as Franchisor may reasonably require, including, without limitation: (a) a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement, and a provision which

requires the landlord for the Franchise location to, at Franchisor's option, execute a collateral assignment of lease in a form approved by Franchisor which provides that Franchisor will be allowed to take an assignment of Franchisee's lease for the Franchise location upon any termination of Franchisee's rights under this Agreement; (b) a provision which expressly permits the lessor of the premises to provide Franchisor with all sales and other information it may have related to the operation of the Restaurant, as Franchisor may request; (c) a provision which requires the lessor concurrently to provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee and which grants to Franchisor, in its sole discretion, the right (but not the obligation) to cure any deficiency under the lease, should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default; (d) a provision which gives Franchisor, or its designee, the option, upon default, expiration or termination of this Agreement, and upon written notice to the lessor, to assume all of Franchisee's rights under the lease terms, including the right to assign or sublease; (e) a provision which evidences the right of Franchisee to display the Proprietary Marks in accordance with the specifications required by the Manual, subject to the provisions of applicable law; and (f) a provision that the premises shall be used only for the operation of the Restaurant. Without limiting the foregoing, Franchisor may require Franchisee to execute a lease rider with the lessor substantially in the form attached hereto as **Exhibit E**. Franchisee agrees not to modify its lease for the Franchise location without the consent of Franchisor if such modification alters Franchisor's rights with respect to the above-noted provisions. Franchisee shall provide Franchisor with a fully executed copy of Franchisee's lease agreement, and all subsequent leases, renewals, extensions, amendments and similar instruments, within ten (10) days after execution. In the event of termination of this Agreement for cause, at the request of Franchisor, if Franchisee owns or purchases the Franchise location, Franchisee shall enter into a lease with Franchisor for a term of years equal to the remaining term of the Franchise Agreement, if said Agreement had not been terminated and at market rent for similar facilities.

B. Commencement of Operations; Construction

Franchisee agrees to open and commence operation of the Restaurant as soon as practicable after construction and/or remodeling of the Franchise location hereunder is completed. In no event shall such opening and commencement of operations be delayed beyond one hundred and eighty (180) days after securing the site and obtaining Franchisor's written approval of the site and the purchase agreement or lease agreement, as applicable, for the site. Franchisor may, at its option and in its sole discretion, consent in writing to an extension of the time period specified herein. If Franchisee does not commence operating the Restaurant within such one hundred and eighty (180) day time period set forth herein, Franchisor may, at its option, terminate this Agreement.

1. Franchisor will assist Franchisee, as Franchisor deems reasonable and necessary, with the layout and design of the Franchise and provide advice to Franchisee (or its selected contractor) for construction and/or remodeling of the Franchise location. Franchisee shall not proceed with construction and/or remodeling of the Franchise location until Franchisee has obtained Franchisor's prior written approval of plans drafted by Franchisee's architect based on Franchisor's construction specifications. Franchisee agrees to completely construct and/or remodel, equip and furnish the Franchise location in accordance with Franchisor's specifications with respect to design, Equipment (as defined in **Section IV**), layout, decor, color scheme and signage, all at the expense of Franchisee. Franchisee shall be responsible for and shall pay all expenses associated with transforming Franchisor's construction advice into site blueprints for the Franchise location and in ensuring that such site blueprints comply with all codes, regulations or ordinances that may be applicable to the construction and/or remodeling of the Franchise location.

2. All signs or sign faces, as the case may be, shall bear Franchisor's Proprietary Marks. Franchisee further agrees to obtain all necessary permits and to comply with all codes, regulations or ordinances applicable to display of the required signage, all at the expense of Franchisee. The maintenance and repair of all signs shall be the sole responsibility and obligation of Franchisee. Franchisee shall not display on the Franchise any sign or signs not furnished by Franchisor or Franchisor's approved supplier, unless Franchisor shall give its

prior written consent. Franchisee must comply with Franchisor's sign criteria, as more fully set forth in the Manual.

3. Franchisee shall have procured all necessary licenses, permits, and approvals, including, without limitation, construction permits and licenses, and shall have hired and trained personnel and procured a representative inventory as required by Franchisor.

IV. EQUIPMENT, FIXTURES AND FURNITURE

Franchisor may provide Franchisee with specifications for brands and types of any equipment, fixtures, furniture, displays, exterior and interior signs and decorating accessories required for the Restaurant ("**Equipment**") to be purchased or leased at Franchisee's expense. Franchisee may purchase or lease original and replacement Equipment from any source that is approved by Franchisor. If Franchisee proposes to purchase or lease any item of Equipment not approved by Franchisor as meeting its specifications, as set forth in the Manual, Franchisee shall first obtain Franchisor's prior written approval. Franchisor may require that Franchisee submit at its cost and expense photographs, drawings and/or other information and samples of the proposed substitute Equipment to determine whether such item meets Franchisor's specifications. Franchisor shall advise Franchisee within a reasonable period of time whether such item of Equipment meets its specifications. Any proposed Equipment not approved within sixty (60) days of receipt of Franchisee's written request shall be deemed disapproved. Franchisor may revoke any approval previously granted at any time in its reasonable discretion.

V. TRAINING AND ASSISTANCE BY FRANCHISOR

A. Initial Training

Before Franchisee commences operation of the Franchise, and as soon as practicable after execution and delivery of this Agreement, the Operating Principal, the Manager, and at least two other individuals with management responsibility over the day to day operation of the Restaurant (e.g. an assistant manager) must personally attend and complete Franchisor's initial training program on Franchisor's methods and other policies and procedures ("**Initial Training**"). Initial Training will be conducted at Franchisor's principal place of business and at such other locations as Franchisor may designate from time to time. Franchisor shall not charge Franchisee for the first three (3) persons that attend initial training, but Franchisee shall be responsible for all expenses incurred as a result of attending training such as, but not limited to, travel, lodging, food, and the cost of salaries, benefits, travel, and lodging and meal costs incurred by Franchisee for its employees and agents attending such initial training. In addition to these expenses, Franchisee shall pay a reasonable fee and the cost of training materials for any additional person that receives initial training. The initial training program shall last approximately twenty-seven (27) days or such longer or shorter period of time as Franchisor prescribes.

B. On-Site Training

Beginning approximately one week before Franchisee opens the Restaurant, and up to one week following the opening, Franchisor will provide an on-site training program to Franchisee at the Restaurant. The on-site training program will last approximately one to two weeks, in Franchisor's sole discretion. Franchisee, or if Franchisee is an entity, the Operating Principal, and the Manager shall be at the Restaurant at all times during the on-site training program. Each attendee must complete on-site training to Franchisor's satisfaction. Franchisee is responsible for the costs of travel, lodging, meals, salaries and benefits and all other expenses of Franchisee's employees and agents attending on-site training.

C. Additional Training

Franchisor may periodically conduct additional or refresher training programs either online via Franchisor's Online University or on location at Franchisor's headquarters in Charlotte, North Carolina or at other locations designated by Franchisor. Franchisor may charge Franchisee a reasonable fee and the cost of training materials for employees and agents of Franchisee who attend an additional or refresher training program, including a pro rata annual maintenance and development fee for Franchisor's Online University or any successor online training program. Franchisor may increase the amount charged for additional or refresher training programs upon sixty (60) days prior written notice, but such fees may not be increased more than once during any six (6)-month period. Franchisee shall be responsible for salaries, benefits, travel, lodging and meal costs incurred by Franchisee for its employees and agents attending additional or refresher training. Franchisor may also require that designated employees of Franchisee attend and successfully complete, at Franchisee's cost, a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation, or any successor or similar program.

D. Training for New Managers

If, at any time after the opening of the Franchise, Franchisee designates a new Manager (as defined in **Section X.K.2.**) for the Franchise, such new Manager shall attend Franchisor's training for new Managers, subject to the availability of Franchisor's personnel, which training will be similar to the initial training provided pursuant to **Section V.A** above. Such training shall be provided at Franchisor's headquarters in Charlotte, North Carolina, or such other location designated by Franchisor, at a mutually convenient time. Franchisee shall pay to Franchisor for each such new Manager that receives such training a training fee equal to \$250 per day and the cost of training materials, and Franchisee shall pay for such Manager's salary, benefits, travel, lodging and meal costs. Franchisor may increase the amount charged for new Manager training services upon sixty (60) days prior written notice, but such fees may not be increased more than once during any six (6)-month period.

VI. OBLIGATIONS OF THE FRANCHISOR

A. Training and Pre-Opening Assistance

Franchisor will provide a training program and pre-opening assistance concerning the operation of the Restaurant Operation as set forth in **Section V** of this Agreement.

B. Manual

Franchisor shall provide Franchisee with electronic access to the Manual containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor, and information relative to other obligations of a Salsarita's franchisee, and to the operation of a Restaurant. The Manual will remain confidential and the property of Franchisor, constitutes a Trade Secret (as defined in **Section XII.A.**) of Franchisor, and may not be loaned out, duplicated, or copied in whole or in part in any manner. The Manual may exist in various parts, locations, and formats and may, in Franchisor's sole discretion, include a combination of audio, video, written material, electronic media, website content, and/or software components.

C. Continuing Assistance

Franchisor may, but is not obligated to, provide to Franchisee consulting services with respect to the operation of the Franchise. Franchisor may condition provision of these consulting services on Franchisee paying to Franchisor the sum of (i) the travel, lodging and meal costs incurred by Franchisor for its employees and agents rendering such consulting services, plus (ii) \$500 for each of such employees and agents for each day services are rendered. Franchisor may increase the amount charged for such requested consulting services upon sixty (60) days prior written notice, but such fees may not be increased more than once during any six (6)-month period.

D. Advertising and Promotion

1. Franchisor may develop and provide creative materials for local and regional advertising and make such advertising materials available to its franchisees for publication or distribution in Franchisee's market area at Franchisee's own expense.
2. Franchisor may provide specific guidelines for advertising initiated by individual franchisees and shall reserve the right to disapprove any advertising which, in Franchisor's opinion, is not in accordance with these guidelines.
3. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in Franchisor's opinion, be detrimental.

E. Pricing

Franchisor may advise Franchisee from time to time concerning such suggested retail prices. Franchisor and Franchisee agree that any list or schedule of prices furnished to Franchisee by Franchisor is a recommendation only and is not to be construed as mandatory upon Franchisee. Nothing contained herein shall be deemed a representation by Franchisor that the use of Franchisor suggested prices will generate or optimize profits.

VII. FEES AND PAYMENTS BY FRANCHISEE

A. Initial Franchise Fee

Upon execution of this Agreement, Franchisee shall pay to Franchisor an initial franchise fee as set forth on **Exhibit A** (the "**Initial Franchise Fee**"). The Initial Franchise Fee is not refundable for any reason and shall be deemed fully earned by Franchisor upon payment.

B. Royalty Fees and Advertising Fund Contributions

1. Franchisee shall pay to Franchisor royalty fees (the "**Royalty Fees**") of five percent (5%) of monthly Net Revenues (as defined in **Section VII.D.**) Franchisor reserves the right in its sole discretion to increase the Royalty Fees due under this Agreement to six percent (6%) of monthly Net Revenues upon thirty (30) days advance notice to Franchisee.
2. Payment of Royalty Fees and the Advertising Obligation contributions (as defined in **Section VIII.C.**) are based on Net Revenues as calculated on a weekly basis as specified in the Manual and are due and payable on the dates specified in the Manual. Franchisor may require that Franchisee deliver to Franchisor certain reports containing calculations of Net Revenues, Royalty Fees and the Advertising Obligation contributions in a form specified in the Manual and require that Franchisee certify that the information contained in such reports is true and correct. At its option, Franchisor may calculate Net Revenues, Royalty Fees and the Advertising

Obligation contributions based upon information that is retrieved, downloaded or otherwise accessed by Franchisor (via Internet connection or otherwise) from Franchisee's computer system. Franchisee agrees to take all actions and grant all such approvals that are reasonably necessary to provide such access.

3. The required payment method for Royalty Fees and the Advertising Obligation contributions is automatic debit draft from Franchisee's bank account. Franchisee shall permit Franchisor to withdraw Royalty Fees and the Advertising Obligation contributions from a bank account maintained by Franchisee which permits direct withdrawals by Franchisor on the due date for such payments as specified in the Manual. If Franchisee fails to submit reports relating to the calculation of Royalty Fees and the Advertising Obligation contributions by the due date for such reports as specified in the Manual, Franchisor shall give Franchisee prior written notice of its calculations of Franchisee's Net Revenues, Royalty Fees and the Advertising Obligation contributions as further specified in the Manual (the "**Fee Report**"). Franchisee shall have at least two (2) days after its receipt of the Fee Report within which to object to the calculations made by Franchisor. If, within such two (2)-day period, Franchisee does not provide Franchisor written notice of objection to the fee calculations provided by Franchisor (which notice shall describe in detail the reasons for its objection) Franchisor may withdraw Royalty Fees and the Advertising Obligation contributions based upon the calculations provided in its Fee Report. Franchisee shall maintain sufficient funds in such bank account to permit Franchisor to withdraw the Royalty Fees and the Advertising Obligation contributions due from time to time. Nothing herein contained shall prevent Franchisor from demanding that payments of Royalty Fees and/or the Advertising Obligation contributions be mailed or otherwise delivered to Franchisor.

4. If (a) the date on which any party is required to compute and notify the other of Net Revenues, Royalty Fees or the Advertising Obligation contributions or (b) the date on which Franchisee is required to make any payment hereunder is on a Saturday, Sunday or other day on which the commercial banks of Charlotte, North Carolina are authorized or required by law to close, then the obligation to notify the other party of such amounts or make such payment shall be the next day on which the commercial banks of Charlotte, North Carolina are open for business.

C. Interest for Late Payments

All Royalty Fees, the Advertising Obligation contributions, amounts due for purchases by Franchisee from Franchisor and/or any of its affiliated companies, and other amounts which Franchisee owes to Franchisor and/or its affiliated companies, not received on or before the due date shall be deemed overdue. If any payment or contribution is overdue, Franchisee shall pay to Franchisor immediately upon demand the overdue amount, a late fee of \$100 per incident, plus interest on the overdue amount from the date it was due until paid, at the rate of one and one half percent (1½%) per month, or the maximum rate permitted by law, whichever is less. The foregoing shall be in addition to any other remedies Franchisor may possess, as permitted by law. Franchisee acknowledges that his or her failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided herein.

D. Definition of Net Revenues

"**Net Revenues**" means all revenue from the sale of all products, including all food and beverage products, all other products or services offered at or from the Restaurant, and all other income and consideration of every kind and nature related to, derived from, or originating from the Restaurant, including off-premises catering, special events and Food Trucks, revenue from credit and debit machines, 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 "Net Revenues" excludes any customer refunds, employee meals, customer discounts, coupon sales, sales taxes, and/or other taxes collected from customer by you and actually transmitted to the appropriate taxing authorities.

E. Franchisor's Right to Apply Franchisee Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fee payments, purchases from Franchisor and any of its affiliates, interest or any other indebtedness. No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to Franchisor's right to recover the balance due or pursue any other remedy provided herein or by law.

VIII. ADVERTISING AND MARKETING

Recognizing the value of marketing and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of Restaurants, Franchisee agrees as follows:

A. Grand Opening Marketing Expenditures

In addition to, and not in lieu of, the Advertising Obligation contributions, Franchisee shall expend an amount subject to Franchisor's approval (currently estimated to be between \$5,000 and \$15,000) for grand opening advertising and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing program developed by Franchisor or developed by Franchisee and approved in writing by Franchisor. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by Franchisor.

If so requested by Franchisor, Franchisee shall also participate in a joint grand opening program with other Salsarita's franchisees in the same marketing area that are opening their Restaurant at about the same time as Franchisee. With regard to all advertising, Franchisee shall use the advertising materials, techniques and concepts of Franchisor and none other unless Franchisee obtains the prior written approval of Franchisor to use other materials, techniques and concepts.

B. Minimum Requirements Only

Franchisee understands and acknowledges that the required advertising, marketing and promotional contribution and expenditures of this **Section VIII** are minimum requirements only and that Franchisee may, and is encouraged by Franchisor to expend additional funds on local advertising, marketing and promotion.

C. Contributions/Expenditures.

Franchisee will have an advertising obligation ("**Advertising Obligation**") as set forth in **Exhibit A**. Franchisee will pay Franchisor the Advertising Obligation at the same time and in the same manner as the Royalty Fees. Franchisor will have the right, at any time and from time to time, upon thirty (30) days advance notice to Franchisee, to reallocate the Advertising Obligation and/or to increase the Advertising Obligation, provided that: (1) Franchisor will not increase the Advertising Obligation by more than two percent (2%) of Net Revenues in any calendar year; and (2) the Advertising Obligation will not exceed six percent (6%) of Net Revenues. Notwithstanding anything in this paragraph to the contrary, Franchisor will not increase the Advertising Obligation by more than one percent (1%) in any calendar year in

which Franchisor also elects to increase the Royalty Fees due under this Agreement pursuant to Section **VII.B.1.** above.

D. Creative Fund.

1. Franchisee must contribute to the Creative Fund the amount set forth in **Exhibit A**, as may be subsequently modified by Franchisor. Franchisor may use the Creative Fund contributions and any earnings of the Creative Fund for any costs associated with advertising, marketing, public relations, promotional programs and materials (which may be national or regional in scope) or any other activities that Franchisor believes would benefit the System, including, without limitation, the following: advertising campaigns in various media, whether digital, television, websites, social, streaming services or any other form of media; point-of-purchase materials; review of locally-produced ads; free standing inserts; brochures; purchasing and/or developing promotional materials; market research, including secret shoppers; sponsorships; web site development, hosting and maintenance; celebrity endorsements; trade shows; association dues; search engine optimization; social media; establishment of a third party facility for customizing local advertising; monitoring and enforcing System advertising standards; accounting costs; and holding an annual franchise convention. Franchisor will not use the Creative Fund for any activity whose sole purpose is the marketing of franchises; however, Franchisee acknowledges that the Salsarita's web site, public relations activities, community involvement activities and other activities that may be supported by the Creative Fund may contain information about franchising opportunities. Franchisor has the right to direct all programs supported by the Creative Fund, with final discretion over creative concepts, the materials and media used in the programs and their placement. Franchisor does not guarantee that Franchisee will benefit from the Creative Fund in proportion to its contributions to the Creative Fund.

2. Restaurants operated by Franchisor or its affiliates will contribute to the Creative Fund on the same basis as comparable franchisees. If Franchisor reduces the Creative Fund Contribution for franchisees, Franchisor will have the right to reduce the required contribution for applicable Restaurants operated by Franchisor or its affiliates by the same amount.

3. Any point-of-sale materials produced with Creative Fund monies will be made available to Franchisee at a reasonable cost, and the proceeds of such sales will be credited to the Creative Fund.

E. Regional Co-op

1. Franchisor, in its sole discretion, may establish a regional advertising and sales promotion cooperative ("**Regional Co-op**") in the regional area in which the Restaurant is located. Franchisee shall be a member of and contribute to the Regional Co-op such amount as is determined from time to time by Franchisor and/or the Regional Co-op, which, as of the date of this Agreement, is the amount specified in **Exhibit A**. The Regional Co-op may be incorporated by Franchisor and will be operated in accordance with its charter, which Franchisor shall have the right to modify from time to time in its sole discretion.

2. Franchisor or its designee shall have the right to terminate (and subsequently restart) the Regional Co-op. Upon termination, all monies in the Regional Co-op shall be spent for advertising and/or promotional purposes. Franchisor or its designee shall have the sole right, but not the obligation, to enforce the obligations of franchisees who are members of the Regional Co-op to contribute to the Regional Co-op and neither Franchisee nor any other franchisees who contribute to the Regional Co-op shall be deemed a third party beneficiary with respect to the Regional Co-op obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Regional Co-op.

F. National Ad Fund

1. Franchisor may establish (and once established will maintain) a National Ad Fund for all Restaurants. Franchisee shall contribute to the National Ad Fund the amount set forth in **Exhibit A**, as may be subsequently

modified by Franchisor. Restaurants operated by Franchisor and its affiliates shall contribute to the National Ad Fund on the same basis as comparable franchisees.

2. Franchisor or its designee shall direct all advertising, marketing, and public relations programs and activities financed by the National Ad Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing content and materials. Franchisee agrees that the National Ad Fund may be used to pay the costs of preparing and producing such associated materials and programs as Franchisor or its designee may determine, including video, audio and written advertising materials (whether digital or otherwise); employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; and supporting public relations, market research and other advertising, promotional and marketing activities. Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the National Ad Fund.

G. Local Store Marketing Fund

1. Franchisee will spend, at a minimum, the percentage of Net Revenues specified in **Exhibit A** for local marketing of the Restaurant in authorized advertising media and for authorized advertising expenditures (“**Local Store Marketing Fund**”). Franchisor or its designee periodically will advise Franchisee of the authorized advertising media and authorized advertising expenditures.

2. Franchisor may require, from time to time and at any time, that Franchisee pay to Franchisor directly the Local Store Marketing Fund (at the same time as the Royalty Fee), in which case Franchisor will reimburse Franchisee up to such amount for approved local store marketing expenditures for which Franchisee provides Franchisor with evidence of such approved local store marketing expenditures according to procedures described in the Manual.

3. If requested by Franchisor, Franchisee shall create a local store advertising and marketing plan by which Franchisee shall place local store marketing in any approved media, provided that such advertising conforms to the standards and requirements of Franchisor as set forth in Franchisor’s Manual, or otherwise designated by Franchisor.

4. Franchisee agrees that all of its advertising and promotional activities shall comply with **Section X.N.** and all other applicable provisions of this Agreement.

H. Treatment of Payments to Franchisor

1. Franchisor shall separately account for the Creative Fund and the National Ad Fund, but none of the funds shall be required to be segregated from Franchisor’s other monies. None of the funds shall be used to defray any of Franchisor’s general operating expenses. Each fund may hire employees, either full-time or part-time, for its administration. Franchisor and its affiliates may be reimbursed by each fund for expenses directly related to the fund’s marketing programs including, without limitation, conducting market research, preparing advertising and marketing materials and content, and collecting and accounting for contributions to each fund. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all Restaurants to each fund during that year or cause each fund to accumulate a surplus for future use by the fund. Franchisor is not required to conduct an independent audit of either fund. Upon Franchisee’s written request, but no sooner than 150 days after the close of Franchisor’s fiscal year, Franchisor will make available to Franchisee an unaudited statement of contributions and expenditures for the funds. Franchisor or its designee will have the right to cause each fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor or its designee deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this **Section VIII.**

2. Franchisee understands and acknowledges that each fund is intended to enhance recognition of the Proprietary Marks and patronage of Restaurants. Franchisor will endeavor to utilize each fund to develop advertising and marketing materials and programs, and to place advertising that will benefit the System and all Restaurants contributing to the fund. However, Franchisee agrees that Franchisor is not liable to Franchisee and Franchisee forever covenants not to sue and holds Franchisor harmless of any liability or obligation to ensure that expenditures by each fund in or affecting any geographic area (including the Designated Location) are proportionate or equivalent to the contributions to the fund by Restaurants operating in that geographic area, or that any Restaurant will benefit directly or in proportion to its contribution to each fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this **Section VIII**, neither Franchisor nor its designee assumes any direct or indirect liability to Franchisee with respect to the maintenance, direction or administration of each fund.

3. Franchisor reserves the right, in its sole discretion, to: (A) suspend contributions to and operations of each fund for one or more periods that it determines to be appropriate; (B) terminate any fund upon thirty (30) days' written notice to Franchisee and establish, if Franchisor so elects, one or more new advertising funds; and (C) upon the written request of any franchised or company Restaurants, defer or waive, in whole or in part, any advertising fees required by this Section if, in Franchisor's sole judgment, there has been demonstrated unique, objective circumstances justifying any such waiver or deferral. Franchisor, in its sole discretion as it deems appropriate in order to maximize media effectiveness, may transfer monies from the Creative Fund to the National Ad Fund or from the National Ad Fund to the Creative Fund. Upon termination of a fund, all monies in the fund shall be, in Franchisor's sole discretion, spent for advertising and/or promotional purposes or transferred to another fund. Franchisor has the right to reinstate any terminated fund upon the same terms and conditions set forth in this Agreement upon thirty (30) days' prior written notice to Franchisee.

IX. ACCOUNTING AND BOOKKEEPING RECORDS

A. Bookkeeping, Accounting and Records

1. Franchisee shall maintain during the term or terms of this Agreement, and shall preserve for a minimum of seven (7) years thereafter, full, complete accurate records of all sales, marketing activities, closeout sheets, payroll and accounts payable in accordance with the accounting system described by Franchisor in the Manual or otherwise specified in writing.

2. Franchisee agrees to keep and maintain its books in accordance with the methods prescribed by Franchisor, which may include classifying and booking entries and transactions using the methods designated by Franchisor from time to time.

3. Franchisee agrees to use computerized point-of-sale cash and data capture and retrieval systems designated by the Franchisor and to record sales of the Restaurant in accordance with the Franchisor's specifications and instructions set forth in the Manual or otherwise.

4. Franchisor shall, from time to time, require information from Franchisee about Franchisee's financial condition, earnings, sales, profits, costs, expenses and performance to provide a basis for providing prospective franchisees of Franchisor with information concerning actual or potential earnings, to comply with applicable laws and regulations governing the offer and sale of franchises, or to use solely for benchmarking and similar informational purposes within Franchisor's franchise system. Franchisee shall provide such information (in the form designated by Franchisor) promptly when so requested by Franchisor and shall certify that such information is true and complete in all material respects. Franchisee hereby consents to the disclosure and use of such information in the manner described herein.

5. Franchisee shall grant Franchisor access to Franchisee's financial and accounting records in the manner specified by Franchisor, which may include electronic access via the Technology Systems (defined in

Section X.T.1). Franchisor has the right to retrieve, download or otherwise access via Internet connection or otherwise such financial and accounting records.

B. Submission of Financial Statements

Franchisee shall, at its expense, submit to Franchisor, within fifteen (15) days of the end of each quarter during the term of this Agreement, on forms prescribed by Franchisor, a financial statement, which may be unaudited, for the preceding month, including both an income statement and balance sheet. Franchisee shall also, at its expense and throughout the term of this Agreement, submit to Franchisor within sixty (60) days of the end of each fiscal year of the Franchise, a complete financial statement for the said fiscal year, including, without limitation, both an income statement and balance sheet, which may be unaudited, together with such other information in such form as Franchisor may require. Each financial statement shall be certified by Franchisee attesting that the statement is true and correct and prepared in accordance with Franchisor's requirements. Franchisee shall also submit to Franchisor other records, reports, information and data as Franchisor may reasonably designate, in the form, and at the times and the places reasonably required by Franchisor. Upon thirty (30) days advance written notice, Franchisor may prepare the financial statements required under this **Section IX.B.** based upon financial and accounting information obtained by Franchisor from Franchisee or directly obtained from Franchisee's computer system in the manner described in **Section IX.A.5.** above. Franchisor may charge Franchisee a reasonable fee in connection with the preparation of such financial statements.

C. Franchisor's Right to Audit

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to examine, compile, review, audit or cause to be audited all business records, financial and otherwise, relating to the Restaurant. If any such audit or review discloses an understatement of Net Revenues for any period or periods, Franchisee shall pay to Franchisor, within fifteen (15) days, all additional Royalty Fees and other fees or contributions required to be paid, including interest on overdue amounts, based upon the results of such audit or review. In addition, if there is an understatement of Net Revenues of five percent (5%) or more for any period, or the audit or review is caused by Franchisee's failure to provide required financial records to Franchisor, Franchisee, in addition to paying amounts described above, shall reimburse Franchisor for the cost of such audit or review, including, without limitation, the costs of any independent auditors and the travel expenses, room and board, and compensation of any employees or agents of Franchisor.

X. STANDARDS OF QUALITY AND PERFORMANCE

A. Image of Restaurant

Franchisee agrees to maintain the condition and appearance of the premises of the Franchise location hereunder consistent with Franchisor's standards for the image of a Restaurant as an attractive, pleasant and comfortable Restaurant. Franchisee agrees to cause such reasonable maintenance of the Franchise location as is required from time to time to maintain or improve the appearance and efficient operation of the Franchise hereunder, including replacement of worn out or obsolete fixtures, furniture and signs, repair of the exterior and interior of the Restaurant and decorating. If at any time in Franchisor's judgment the general state of repair or the appearance of the premises of the Franchise hereunder or its Equipment does not meet Franchisor's standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within fifteen (15) days after receipt of such notice, and thereafter continue, and promptly complete, a bona

franchise program to complete any required maintenance, Franchisor shall have the right, in addition to all other remedies, to enter upon the premises of the Franchise and effect such maintenance on behalf of Franchisee, and Franchisee shall pay the costs thereof on demand.

B. No Alteration to Restaurant

Franchisee shall make no material alterations to the improvements of the Franchise hereunder nor shall Franchisee make material replacements of or alterations to the Equipment of the Franchise hereunder without the prior written approval of Franchisor.

C. Use of Premises

The Franchise location approved by Franchisor in accordance with this Agreement shall be used solely for the purpose of conducting Franchisor's business and System.

D. Authorized Products and Services

Franchisee agrees that he or she will offer for sale, and sell at the Restaurant, all merchandise, products and services that Franchisor from time to time prescribes. Franchisee further agrees that Franchisee will not offer for sale, or sell at the Restaurant, any other category of merchandise, products or services, or use such premises for any purpose other than the operation of a Restaurant in full compliance with this Agreement. Except as expressly provided in this Agreement, Franchisee is not limited as to the customers to whom it may sell the products and services authorized by Franchisor. Franchisor, from time to time, may conduct market research and testing to determine the viability of new products and services. Franchisee must cooperate by participating in such programs and by purchasing and promoting the sale of such test products, if required by Franchisor.

E. Sale of Trademarked or Copyrighted Product Lines

Franchisee agrees, as part of the consideration for this Agreement, that Franchisee will carry an adequate supply and maintain a representative inventory of items and merchandise packaged under Franchisor's trademarks and copyrights, if any, and Franchisee shall maintain, carry and promote such items and merchandise for sale or lease to the general public in order to meet customer demands as designated by Franchisor.

F. Approved Manufacturers, Suppliers and Distributors

From time to time, Franchisor shall provide to Franchisee, a list of approved manufacturers, suppliers, and distributors for all products and services necessary to operate the Restaurant. Franchisor may revise the approved list of manufacturers, suppliers and distributors from time to time in its sole discretion. Such approved list shall be submitted to Franchisee as Franchisor deems advisable.

G. Authorized Equipment, Fixtures, and Supplies

All inventory, supplies and Equipment and related items used in the operation of the Restaurant shall conform to the specifications and quality standards established by Franchisor from time to time. Franchisee shall purchase all inventory, supplies, Equipment and other products and materials required for the operation of the Restaurant solely from suppliers (including manufacturers and distributors) who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's reasonable standards and specifications for such items; who possess adequate quality control and capacity to meet

Franchisee's needs properly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. Franchisor has the right to require that Franchisee use only certain brands and to prohibit Franchisee from using other brands. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for approval of such items or shall request supplier to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facility and that samples from the supplier be delivered at Franchisor's option either to Franchisor or to an independent consultant designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the testing shall be paid by Franchisee or the supplier. Franchisor shall respond to Franchisee's request within a reasonable period of time, not to exceed sixty (60) days. Any approval not received within such sixty (60)-day time period shall be deemed disapproved. Franchisor reserves the right, at its option, to reinspect the facilities and products of such approved suppliers, from time to time, and to revoke its approval upon supplier's failure to continue to meet any of Franchisor's criteria for standards and specifications. Franchisor shall be entitled upon request, to periodically review inventory reports from Franchisee, including product identification and serial numbers, if applicable, for compliance with the foregoing requirements.

H. Specifications, Standards and Operating Procedures

Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures and rules as in effect from time to time relating to:

1. The maintenance, cleanliness, function and appearance of the Restaurant and its Equipment and the maintenance thereof;
2. Procedures regarding purchasing of any trademarked product line or copyrighted materials and other inventory items;
3. Procedures and techniques regarding merchandising activities;
4. The general appearance and demeanor of, and the quality of customer service delivered by, the Restaurant's employees;
5. Hours during which the Restaurant will be attended and open for business;
6. Advertising and promotional programs, including franchise sales and other promotional materials to be displayed in the Restaurant;
7. Use and retention of standard forms;
8. Type, quantity and variety of Equipment, trademarked product lines and copyrighted materials and inventory items;
9. Use and illumination of signs, posters, displays and similar items;
10. Identification of Franchisee as the owner of the Restaurant and an independent contractor of Franchisor;
11. Use of any third-party food delivery services, online ordering services, or other food aggregation services;
12. The handling of customer complaints; and

13. The gathering of customer data and feedback.

Mandatory specifications, standards, operating procedures and techniques and other rules prescribed from time to time by Franchisor in the Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement, as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules.

Franchisee specifically acknowledges that Franchisor cannot and does not exercise control over your day-to-day operations (such as safety and security, the manner of operation of any motor vehicles used by or on behalf of Franchisee, or any of Franchisee's employment decisions), and that all liability arising out of these matters is therefore Franchisee's responsibility.

I. Licenses, Permits and Certificates

Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and shall operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, equal opportunity, trade regulation, worker's compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

J. Products with the Proprietary Marks

Franchisee shall in the operation of the Restaurant use and display, labels, forms and other paper products imprinted with the Proprietary Marks and colors as prescribed from time to time by Franchisor.

K. Training and Personnel

1. Franchisee shall designate and retain an individual to serve as the Operating Principal (as defined below). If Franchisee is an individual, Franchisee is the Operating Principal. The Operating Principal as of the date of this Agreement is designated on **Exhibit A** (the "**Operating Principal**"). Except to the extent otherwise agreed in writing by Franchisor, the Operating Principal shall meet all of the following qualification: (A) the operating principal shall be and remain an Owner (as defined in Section **XVIII.H.1**) of at least 10% of the issued and outstanding equity interests in Franchisee; (B) the Operating Principal shall, at a minimum, have full control over the day-to-day activities of the Restaurant and those other restaurants (that are franchised by Franchisor or its affiliates) operated by Franchisee in the same geographic area as the Restaurant, including control over the employment decisions, standards of operation and financial performance; (C) the Operating Principal shall devote full-time and best efforts to supervising the operation of the Restaurant and those other restaurants (that are franchised by Franchisor or its affiliates) operated by Franchisee in the same geographic area as the Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; (D) the Operating Principal shall maintain his primary residence within a reasonable driving distance of the Restaurant.; (E) the Operating Principal shall successfully complete Franchisor's initial training program and any additional training required by Franchisor; and (F) Franchisor shall have approved the Operating Principal, and not have later withdrawn that approval. If the Operating Principal no longer meets these qualifications, Franchisee must provide Franchisor written notice designating a qualified person to act as Operating Principal within thirty (30) days after the date the prior Operating Principal ceases to be qualified. Franchisor shall advise Franchisee whether it has approved the new Operating Principal within a reasonable time after receipt of Franchisee's notice. If Franchisor does not approve the proposed Operating Principal, Franchisee will have fifteen (15) days from its receipt of notice of the decision

to advise Franchisor in writing of another person to act as Operating Principal who satisfies the preceding qualifications.

2. Franchisee shall designate, and maintain at all times, a manager (the “**Manager**”) to be responsible for the day-to-day management of the Franchise. The initial and all subsequent Managers of the Franchise may be Franchisee or the Operating Principal, or any other person approved in advance by Franchisor who demonstrates to Franchisor’s reasonable satisfaction that he or she meets Franchisor’s educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; and has the aptitude and ability to operate the Franchise. There is no requirement that the Manager have an ownership interest in the franchising entity unless the Manager is also the Operating Principal.

3. Any other employees and agents of Franchisee who will be involved in the direct management and supervision of the Franchise (such employees and agents, the Manager and the Operating Principal shall be collectively referred to herein as “**Management**”) and who are designated by Franchisor as needing initial training must also attend and satisfactorily complete Initial Training. Management must also complete any additional or refresher training programs that are required by Franchisor from time to time after the Franchise commences operations, including, without limitation, the training programs described in **Section V.C.** above and recertification training to be conducted at the Restaurant. Upon Franchisor’s request, Franchisee shall deliver executed confidentiality agreements from its Management in the form of **Exhibit F.**

4. If, at any time after opening the Franchise, Franchisee designates a new Manager, such new Manager shall attend and satisfactorily complete an initial training program prior to assuming his or her position in accordance with **Section V.D.** above.

L. Inventory and Supplies Prior to Opening

Prior to commencement of operation of the Restaurant, Franchisee shall adequately supply the Restaurant with the inventory, supplies, Equipment and related items as prescribed by Franchisor, and any other items of the type, quantity and quality as specified by Franchisor in the Manual.

M. Continued Use of Inventory and Supplies

Franchisee agrees that the Restaurant shall at all times maintain an adequate inventory of all products and services required by Franchisor.

N. Advertising and Promotional Activities

1. Franchisee may not advertise the Restaurant in connection with any other business except with Franchisor’s prior written approval. Franchisee agrees to conduct all marketing in a dignified manner and in accordance with the standards and requirements Franchisor specifies periodically. Franchisor may provide Franchisee with a marketing manual, guidelines for creating a marketing plan, scripts and branding tools. Franchisee may be required to pay Franchisor or its designee a reasonable fee for accessing and customizing local advertising and promotional materials and content. Franchisee agrees that all advertising and promotional materials and content must bear the Proprietary Marks in the form, color, location and manner that Franchisor prescribes. Franchisor will have the final decision on all creative development of advertising and promotional messages. Franchisee also agrees that Franchisor owns all advertising and promotional materials developed by Franchisee and Franchisee will take all actions Franchisor specifies to vest ownership in Franchisor.

2. Franchisee must submit to Franchisor in writing for Franchisor’s prior acceptance all promotion materials and advertising, and all suppliers of advertising services, that have not been prepared or designated, or previously accepted, by Franchisor and identify the proposed media in which Franchisee intends to place the advertising. If Franchisor’s written consent to the supplier and the material and its proposed placement is

not received within ten (10) days after the date that Franchisor received the material, the supplier and material may not be used. In no event will Franchisee's advertising or marketing materials, content or activity contain any statement or material that, in Franchisor's sole discretion, 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; (D) inconsistent with the public image of the System or the Proprietary Marks; or (E) not in accordance with any federal or state law. Franchisor reserves the right to require Franchisee to discontinue the use of any advertising or marketing materials, content or activity, even if it was previously approved by Franchisor.

O. Websites and Online Accounts

Franchisee shall not own or use any website, domain name, email address, social media account, or other type of digital customer-facing account or platform associated with the Proprietary Marks or any Restaurant (collectively, "**Digital Media**"), without Franchisor's prior written consent. Franchisor reserves the right to maintain exclusive ownership and control of all Digital Media associated with the System, including the content, messages and customer interactions displayed through Digital Media. To the extent Franchisor permits Franchisee to engage in any form of Digital Media, Franchisee shall do so strictly in accordance with any guidelines and policies Franchisor establishes for Digital Media in the Manuals. As part of any permitted use of Digital Media, Franchisor may require Franchisee to use certain suppliers of Digital Media services, and Franchisee acknowledges that those providers may charge Franchisee fees for such services.

P. Notice of Legal Proceedings

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of or the threatening of any action, suit, or proceeding, or of the issuance or the threatened issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation, financial condition or reputation of the Restaurant.

Q. Manual

Franchisee shall comply with and abide by each rule, procedure, standard, specification and requirement contained in Franchisor's operations manuals, as they may be amended, modified or supplemented from time to time (collectively, as so amended, modified or supplemented, the "**Manual**") and such other written or electronically transmitted rules, procedures, standards, specifications and requirements that may be issued by Franchisor from time to time. Franchisee acknowledges that Franchisor may unilaterally amend, modify or supplement the Manual at any time, so long as such amendments, modifications or supplements do not modify the fundamental rights of Franchisee under this Agreement and will, in the good faith opinion of Franchisor, benefit Franchisor and Franchisor's existing and future franchisees or shall otherwise improve Franchisor's System. If there is any dispute as to the current contents of the Manual, the terms of the version of the Manual maintained by Franchisor at its headquarters shall control.

R. Standards of Service; Reputation

Franchisee shall at all times, give prompt, courteous, and efficient service to its customers. The Restaurant shall, in all dealing with its customers, suppliers, and the public at large, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee acknowledges the importance to the System, and to the Marks, of Franchisee maintaining a

reputation of good moral character, and for this reason Franchisee agrees to not engage in conduct that is offensive to decency, morality, or social properties and that, in the reasonable determination of Franchisor, is like to have an adverse effect on the System.

S. Guest Satisfaction Programs

In order to (among other things) maintain and enhance the goodwill associated with the Proprietary Marks, the System and each Restaurant, Franchisee agrees to participate in programs initiated to verify guest satisfaction and Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) guest satisfaction programs/surveys, an 800 number, secret shoppers or other programs as Franchisor may require. Franchisor will share the results of these programs, as they pertain to the Restaurant, with Franchisee. Franchisee will reimburse Franchisor for all costs incurred by Franchisor related to these programs at the Restaurant.

T. Technology Systems

1. Franchisee agrees, at its sole cost and expense, to procure, install and use such technology equipment, hardware, software, services, platforms and systems, including, without limitation, point-of-sale systems, back-of-house systems, data processing equipment, computer hardware and software (including websites, SaaS, and mobile applications), dedicated telephone, DSL and power lines, high speed Internet connections, modems, printers and other computer-related accessory or peripheral equipment (such equipment, hardware, software, services, platforms and systems, collectively, the "**Technology Systems**"), as Franchisor specifies in the Manual or otherwise in writing. Franchisee shall comply with all procedures, guidelines and instructions that Franchisor may issue from time to time (in the Manual or otherwise) with respect to the operation of the Technology Systems, including those related to the input of data and information. Franchisee agrees that Franchisor shall have the free and unfettered right to access and retrieve any data and information from Franchisee's Technology Systems as Franchisor, in its sole discretion, deems appropriate, including, without limitation, electronically polling the daily sales, menu mix, customer count, average transaction, supply purchases, cost of goods sold, expenses, deleted lines, refunds, employee time, customer data and other data of the Restaurant. Franchisee shall, at its sole costs and expense, integrate or otherwise permit the integration of Franchisee's Technology Systems with other technology systems designated by the Franchisor from time to time. Franchisee shall not use, or sell or deliver products through, any Technology Systems that are or become disapproved or otherwise prohibited by Franchisor.

2. The Technology Systems include, without limitation, any (A) centralized or technology-based methods, platforms or marketplaces for taking, processing, routing or delivering orders, or receiving payment for orders, whether by website, mobile application or otherwise, including third-party aggregators ("**Ordering Systems**"), (B) payment platforms, payment solutions, gift card systems or integrated payments systems ("**Payment Platforms**"), and (C) customer loyalty platforms, programs and applications ("**Customer Loyalty Platforms**"). Franchisee shall, at its sole expense, participate in all Ordering Systems, Payment Platforms and Customer Loyalty Platforms designated from time to time by Franchisor. Franchisee shall not participate in any Ordering Systems, Payment Platforms or Customer Loyalty Platforms that have been disapproved or prohibited by Franchisor (even if previously approved by Franchisor). Franchisee acknowledges that Franchisor may negotiate the terms of the contract that will apply to Franchisee's use of an Ordering System, which may require Franchisee to honor customer discounts or other customer incentives. Franchisee shall accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by Franchisor to enable customers to purchase authorized products from the Restaurant and shall obtain, at Franchisee's expense, all necessary hardware, software and subscriptions used in connection with all required Ordering Systems, Payment Platforms, and Customer Loyalty Platforms. Franchisee shall reimburse Franchisor for any and all costs associated with such non-cash payment systems as they pertain to the Restaurant that Franchisor may incur.

3. Franchisor may require Franchisee to use proprietary Technology Systems that are developed or acquire by Franchisor. Franchisee acknowledges that its compliance with this Section X.T will require Franchisee to agree in writing to the terms and conditions of the providers of the Technology Systems (which may include Franchisor or its affiliates), and that, in addition to upfront cost in connection with the establishment of Technology Systems, Franchisee may incur ongoing subscription fees and other charges for continued use of the Technology Systems. Franchisee shall: (A) operate the Technology Systems in accordance with all terms, conditions and documentation of such providers; and (B) timely pay all upfront and ongoing fees and charges incurred by Franchisee in connection with the establishment and use of the Technology Systems. Franchisee acknowledges that Franchisor may negotiate terms, conditions and prices for Franchisee's Technology Systems with the providers thereof. Franchisee shall execute any and all license, subscription, support, management and other agreements applicable to Franchisee's Technology Systems.

4. Franchisee acknowledges that (i) circumstances may arise during the term of this Agreement in which Franchisor, in its sole judgement, identifies limitations to Franchisee's then-current Technology Systems and (ii) technology, business operations, and the way in which consumers engage in commerce, change and evolve over time, such that, in Franchisor's sole judgement, changes or upgrades to existing Technology Systems, or new or replacement Technology Systems, may be needed. With respect to the Technology Systems (including, for the avoidance of doubt, any Ordering Systems or Payment Platforms), Franchisor may, in its sole discretion, mandate, from time to time and at any time during the term of this Agreement, that Franchisee: (A) modify, update, upgrade or expand any existing Technology Systems; (B) procure and use additional Technology Systems designated by Franchisor; and (C) replace existing Technology Systems with new or alternative Technology Systems designated by Franchisor. Franchisee shall promptly implement any such changes to Franchisee's Technology Systems pursuant to this Section T.6, but in any event shall implement such changes in accordance with the timeframes established by Franchisor. Franchisee agrees, at its expense, to keep its Technology Systems in good maintenance and repair. Upon termination or expiration of this Agreement, all computer software and related materials obtained from Franchisor shall be returned to Franchisor in good operating condition, excepting normal wear and tear.

5. Franchisee acknowledges that, because complete uniformity among all franchisees' Technology Systems (including, for the avoidance of doubt, Ordering Systems and Payment Platforms) may not be possible, practical or desirable for a variety of reasons, Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary the Franchisor's requirements among franchisees with respect to the Technology Systems including, without limitation, the right to (A) require some franchisee to use some Technology Systems and require other franchisees to use other Technology Systems and (B) to grant any one or more franchisees a variance from a system-wide requirement related to any Technology System. Franchisee shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation.

6. With respect to any personally identifiable information of customers of the Restaurant ("**Customer Personal Data**") that is collected, input, stored or otherwise processed on Franchisee's Technology Systems, Franchisee acknowledges that, unless otherwise specified by Franchisor, Franchisee and Franchisor are each independent controllers of the Customer Personal Data and may share Customer Personal Data during the term of this Agreement to the extent permitted by applicable law. Franchisee will collect, use, and share Customer Personal Data only for purposes of operating the Restaurant and only in accordance with this Agreement, applicable law, and the Manual. Franchisee shall not sell any Customer Personal Data. Franchisee shall take such actions and sign such documents that are determined by Franchisor to be necessary to enable Franchisor and Franchisee to comply with any laws applicable to Customer Personal Data related to the Restaurant. Franchisee shall provide all cooperation and assistance as is reasonably requested by Franchisor: (i) to respond to data access requests with respect to Customer Personal Data related to the Restaurant; and (ii) to resolve any data breach or other security incident involving Customer Personal Data related to the Restaurant.

U. Food Truck Operations

Franchisee shall not operate any food truck, trailer, or other vehicle or mobile equipment to cook, prepare, serve or sell food or beverage products other than from the Restaurant at the Designated Location (referred to herein as a “**Food Truck**”) without Franchisor’s prior written approval. If Franchisor grants Franchisee the right to operate a Food Truck, Franchisee shall, at Franchisee’s expense: (a) acquire only a Food Truck that meets, and ensure that such Food Truck is imaged in accordance with, Franchisor’s then-current standards and specification, including with respect to the make, model, type and functionality of the Food Truck, and any wrap, customization, decal or branding; (b) operate such Food Truck solely in accordance with Franchisor’s then-current standards and specifications for Food Truck operations and in compliance with all laws, rules, regulations and ordinances applicable thereto; and (c) obtain and maintain any and all necessary permits and licenses which may be required for such operation. Franchisee may operate its Food Truck within the Protected Territory but shall not operate the Food Truck outside of the Protected Territory without Franchisor’s prior written approval. Franchisor may, in its sole discretion at any time and from time to time, restrict the areas in which Franchisee is permitted to operate its Food Truck outside of the Protected Territory. All transactions and sales from or related to Franchisee’s Food Truck shall be subject to this Agreement including, without limitation, the Royalty Fees and Franchisee’s bookkeeping and financial reporting requirements. If Franchisor permits Franchisee to operate one Food Truck, franchisee shall not operate any more Food Trucks without Franchisor’s prior written approval.

XI. PROPRIETARY MARKS

A. Franchisor’s Ownership of Proprietary Marks

Franchisee acknowledges and agrees that Franchisor is the owner of the Proprietary Marks, and Franchisee’s right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of the business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor from time to time during the term of this Agreement. Any unauthorized use of the Proprietary Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Proprietary Marks. Franchisee acknowledges and agrees that all usage of the Proprietary Marks by Franchisee and any goodwill established by Franchisee’s use of the Proprietary Marks shall inure to the exclusive benefit of Franchisor. Franchisee shall not, at any time during the term of this Agreement, or after its termination or expiration, contest the validity or ownership of any of the Proprietary Marks or assist another person in contesting the validity or ownership of any of the Proprietary Marks. All provisions of this Agreement applicable to the Proprietary Marks apply to any additional trademarks, service marks, and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

B. Franchisee’s Use of Proprietary Marks

Franchisee shall not use any Proprietary Marks as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Franchisee use any Proprietary Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee agrees to give such notices of trademark and service mark registrations as Franchisor specifies and to obtain such fictitious or assumed named registrations as may be required under applicable law or as requested by Franchisor. Franchisee shall not use any of

the Proprietary Marks in any manner which has not been specified or approved by Franchisor prior thereto.

C. Unauthorized Use of Proprietary Marks

Franchisee shall immediately notify Franchisor in writing of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, which it becomes aware of, and of any claim by any person of any right in the Proprietary Marks or any similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not directly or indirectly communicate with any person other than Franchisor and its counsel in connection with any such infringement, challenge, or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and shall have the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Proprietary Marks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding or to otherwise protect and maintain the interests of Franchisor in the Proprietary Marks. Franchisor is not required to defend or indemnify Franchisee against any claims of infringement or unfair competition arising out of Franchisee's use of the Proprietary Marks, even if Franchisee is a party to an administrative or judicial proceeding and the proceeding is resolved unfavorably.

D. Franchisor's Right to Modify

If it becomes advisable at any time in Franchisor's sole discretion, for Franchisor or Franchisee to modify or discontinue use of the Proprietary Marks, or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, Franchisee agrees to comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of the Proprietary Marks prescribed herein. Franchisee agrees that any costs for modifying or changing the Proprietary Marks will be borne by Franchisee and such modification or change of Proprietary Marks will be completed by Franchisee within a reasonable period of time after notification by Franchisor.

E. Franchisor's Right to Inspect Restaurant

In order to preserve the validity and integrity of the Proprietary Marks and copyrighted materials licensed herein, and to assure that Franchisee is properly employing the same in the operation of its Restaurant, Franchisor or its agents shall have the right of entry and inspection of Franchisee's premises at all reasonable times. Franchisor or its agents shall have the right to confer with Franchisee's employees and customers, and to inspect Equipment and related merchandise, trademarked product lines, other merchandise, supplies or inventory for evaluation purposes in order to make certain that the Equipment and related merchandise, trademarked product lines, and other merchandise, supplies, inventory, services and operations are satisfactory and meet the quality control provisions and performance standards established by Franchisor from time to time.

F. Injunctive Relief Available to Franchisor

Franchisee agrees that due to the nature of the irreparable harm and injury Franchisor, Salsarita's franchisees and the System will suffer if the Proprietary Marks are infringed upon or otherwise violated or misused by Franchisee following termination of this Agreement or

otherwise, Franchisor may apply for injunctive relief to protect the Proprietary Marks in a state or federal court of competent jurisdiction located in Mecklenburg County, North Carolina, or the Western District of North Carolina, and Franchisee hereby consents to personal jurisdiction and venue in such courts. Franchisee agrees that any uses of the Proprietary Marks in any matter other than as provided in this Agreement shall constitute irreparable harm and injury to Franchisor and the System.

XII. CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Definitions

For purposes of this Agreement, the following terms have the following meanings:

“Confidential Information” means valuable and proprietary confidential business information or data other than Trade Secrets (as defined below). Confidential Information also includes any items specifically designated as a Trade Secret that are ultimately determined under applicable law not to constitute a trade secret but that otherwise meet the definition of Confidential Information. **FRANCHISEE ACKNOWLEDGES THAT THE TERMS OF THE MANUAL ARE CONFIDENTIAL INFORMATION (EXCEPT FOR ANY TERM IN THE MANUAL THAT WOULD CONSTITUTE A TRADE SECRET).**

“Trade Secrets” means information (including, but not limited to, confidential business information, technical or non-technical data, recipes, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, list of actual or potential customers or suppliers) that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. To the extent that applicable law mandates a definition of “trade secret” inconsistent with the foregoing definition, then the foregoing definition shall be construed in such a manner as to be consistent with the mandated definition under applicable law.

B. Non-Disclosure Covenant

Franchisee acknowledges that he, she or it may be exposed to certain Confidential Information and Trade Secrets of Franchisor during the term of the Franchise Agreement, and that his, her or its unauthorized use or disclosure of such information or data could cause immediate and irreparable harm to Franchisor. Accordingly, except to the extent that it is necessary to use such information or data to perform his or her express obligations under this Agreement, Franchisee shall not (and shall take diligent measures to ensure that its employees and other personnel shall not), without the express prior written consent of Franchisor, publish, disclose, transfer, release or divulge to any other person or entity, or use or modify for use, directly or indirectly, in any way for any person or entity:

1. any of the Confidential Information during the term of this Agreement and for a period of two (2) years after the termination of this Agreement; and
2. any of the Trade Secrets at any time during which such information shall constitute a Trade Secret before or after termination of this Agreement. The Parties acknowledge and agree that Franchisor’s Trade Secrets include, but are not limited to: product marketing and promotional techniques and plans; financial data and plans; and any components of the System that fall within the definition of a Trade Secret. **THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FRANCHISOR’S CONFIDENTIAL INFORMATION**

INCLUDES, BUT IS NOT LIMITED TO: THE CONTENTS OF THE MANUAL (EXCEPT FOR ANY INFORMATION IN THE MANUAL THAT WOULD CONSTITUTE A TRADE SECRET); AND ANY COMPONENT OF THE SYSTEM THAT DOES NOT CONSTITUTE A TRADE SECRET BUT THAT OTHERWISE MEETS THE DEFINITION OF “CONFIDENTIAL INFORMATION.” Franchisee shall use no less than commercially reasonable efforts to maintain the confidentiality of all Confidential Information and Trade Secrets.

C. Injunctive Relief Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this **Section XII** will cause Franchisor, Salsarita’s franchisees and the System irreparable harm and injury, and Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. Franchisee agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in obtaining specific performance of, or an injunction against, any violation of the requirements of this Agreement. The foregoing remedies shall be in addition to any other legal or equitable remedies which Franchisor may possess. Franchisee agrees that Franchisor, due to the nature of the irreparable harm and injury Franchisor, Salsarita’s franchisees, and the System will suffer if the requirements of this Section of this Agreement are violated, may apply for injunctive relief to a state or federal court of competent jurisdiction located in Mecklenburg County, North Carolina, or the Western District of North Carolina, and Franchisee hereby consents to personal jurisdiction and venue in such courts.

D. Franchisee’s Employees Will Not Disclose Proprietary Information

Franchisee may disclose the Confidential Information and Trade Secrets of Franchisor only to such of its employees, agents and representatives who must have access to it in order to operate the Restaurant and who are bound by obligations of confidentiality no less restrictive than those applicable to Franchisee in this Agreement. Franchisee shall be responsible for any unauthorized use or disclosure of Franchisor’s proprietary information by Franchisee’s employees, agents or representatives.

E. Franchisor’s Patent Rights and Copyrights

Franchisor does not currently own rights in, or to, any patents that are material to the Franchise. However, Franchisor claims a copyright in the Manual, advertising and marketing materials, certain operations literature, Franchisor’s web sites, and similar items used in operating Restaurants.

F. Trade Dress

Franchisee acknowledges and agrees that portions of the Restaurant décor and design constitute unique and protectable images to the consumer which are identified with the System and which are part of the goodwill associated with the System. Franchisee agrees that all usage of Restaurant décor and design elements prescribed by Franchisor for the Restaurant and any goodwill established thereby shall insure to the exclusive benefit of the Franchisor. This Agreement does not grant any ownership or other interest in the Restaurant décor and design elements to Franchisee.

G. Franchisee to Obtain Confidentiality Agreements

Unless otherwise agreed in writing by Franchisor, Franchisee shall obtain and deliver to Franchisor an executed confidentiality agreement from each person or entity who, by virtue of his, her or its association with Franchisee, may receive or have access to the Confidential

Information or Trade Secrets of Franchisor. Such agreement shall be in a form reasonably satisfactory to Franchisor and shall provide that Franchisor is a third-party beneficiary of such agreement with an independent right of enforcement.

XIII. MODIFICATION OF THE SYSTEM

A. System Modifications.

Franchisor, in its sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manual, the menu and menu formats, the required equipment, the signage, the building and premises of the Restaurant (including the trade dress, decor and color schemes), the presentation of the Proprietary Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to Franchisor (including electronic means of reporting and payment) and the adoption and use of new or modified Proprietary Marks or copyrighted materials. Franchisee shall accept and use or display in the Restaurant any such changes or modifications in the System as if they were a part of the System at the time this Agreement was executed, and Franchisee will make such expenditures as the changes or modifications in the System may reasonably require.

B. New Menu Items.

Within thirty (30) days after receipt of written notice from Franchisor, Franchisee shall begin selling any newly authorized menu items and cease selling any menu items that are no longer authorized. All food, beverage and merchandise items authorized for sale at the Restaurant shall be offered for sale under the specific name designated by Franchisor. Franchisee shall establish menu prices in its sole and absolute discretion. If Franchisee has a suggestion for a new menu item or for a change to an authorized menu item or Franchisee desires to participate in a test market program, Franchisee shall provide Franchisor written notice prior to implementation. Franchisee shall not add or modify any menu item or participate in a test market program without first having obtained Franchisor's prior written approval. Franchisee shall purchase any additional equipment and smallwares as Franchisor deems reasonably necessary in connection with new menu items. If Franchisor requires Franchisee to begin offering a new menu item which requires the purchase of additional equipment, a reasonable period of time, as determined in the sole discretion of Franchisor, shall be provided for the financing, purchase and installation of any such equipment before such new menu items must be offered for sale at the Restaurant.

C. Remodeling.

Extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Restaurant to the image of the System for new franchised and company restaurants shall be required at Franchisor's request (but not more often than every five (5) years). Capital expenses necessary for the repair and maintenance of the Franchise location are not subject to the time limitations described in the preceding sentence. Within sixty (60) days after receipt of Franchisor's written notice regarding the required modernization, Franchisee shall prepare and complete drawings and plans for the required modernization. These drawings and plans must be submitted to, and their use approved by, Franchisor prior to the commencement of work. Franchisee shall complete the required modernization within the time reasonably specified by Franchisor in its written notice.

D. Variations.

Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards and franchise agreement provisions for any Franchisee or prospective Franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such Franchisee's business. Franchisee shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation.

E. Disclosure and Ownership of Improvements

During the term of this Agreement, Franchisee shall have an ongoing obligation to fully and promptly disclose to Franchisor any and all ideas, names, concepts, recipes, methods, techniques and improvements relating to the development, operation, or marketing of the Restaurant that are conceived or developed by Franchisee or any of Franchisee's owners, officers, employees or agents including, without limitation, any new or improved products, slogans or promotions (collectively, "**Improvements**"). Franchisor has the perpetual right to use, license, further develop and improve upon such Improvements and, to the extent Franchisor decides to incorporate any Improvement into the System, such Improvement shall become the sole and exclusive property of Franchisor without any consideration to Franchisee. Franchisee promptly shall take all actions deemed necessary or desirable by Franchisor to vest in Franchisor ownership of such Improvements.

XIV. INSURANCE OBLIGATIONS

A. Overall Insurance Coverage Required

Franchisee must procure, prior to opening the Restaurant and shall maintain in full force and effect during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisor, and the officers, directors, partners, agents and employees of both Franchisor and Franchisee, against any loss, liability, personal injury, death, property damage or expense whatsoever arising from or occurring upon or in connection with operating the Restaurant. Franchisor must be named as an additional insured on all such policies (except on Workers Compensation and Employer's Liability Insurance policies).

B. Qualified Insurance Carrier

All insurance policies required under this Agreement shall be written by an insurance company with an A.M. Best Rating of at least A Minus VII and otherwise satisfactory to Franchisor, naming Franchisor as an additional insured, whenever possible, in accordance with standards and specifications set forth in the Manual or otherwise specified in writing, and shall include, at a minimum (except as higher policy limits may reasonably be specified from time to time by Franchisor), the limits set forth in the Manual for the following categories of required insurance, and any additional categories required by Franchisor, as set-forth in the Manual.

1. Commercial General Liability insurance including but, not limited to, product liability, premises liability, advertising injury or insult, and Hired & Non-owned Auto liability;
2. Commercial Auto Liability for all company owned Autos of not less than \$1,000,000 combined single limit per occurrence;

3. Property Coverage written on a special form covering the total insured value of tenant's betterments and improvements and business personal property on a replacement cost basis, when permitted;
4. Workers Compensation and Employer's Liability Insurance as required by law; subject to Franchisor's then current minimum coverages, if applicable;
5. Umbrella Liability for all underlying liability policies;
6. Employment Practices Liability Coverage (EPLI); and
7. Such other insurance that may be required by the statutes or other laws of the state or any local governmental entity in which the Restaurant is located and operated.

C. No Limitations on Coverage

Franchisee's obligations to obtain and maintain the foregoing insurance policies, in the policy limits set forth in the Manual, shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in this Agreement. Franchisee may maintain such additional insurance as it may consider advisable.

D. Evidence of Coverage

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, Franchisee must promptly submit evidence of satisfactory insurance and proof of payment thereof to Franchisor, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be cancelled or materially altered without giving at least thirty (30) days' prior written notice to Franchisor.

E. Franchisor May Procure Insurance Coverage

Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as described from time to time by the Manual or otherwise in writing, a breach of this Agreement shall result. Franchisor shall then have the right and authority (but no obligation) to procure such insurance and to charge the same to Franchisee, which charges, together with a fee equal to ten percent (10%) of such insurance premium to cover Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice from Franchisor.

F. Certificate of Insurance

Franchisee must submit to Franchisor, at least annually, and otherwise upon request by Franchisor a copy of the certificate of renewal or other evidence of the renewal, existence or extension of such insurance policies.

XV. TERMINATION OF FRANCHISE

A. By Franchisee

If Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within thirty (30) days after written notice thereof is delivered to Franchisor, then Franchisee may terminate this Agreement and the Franchise

effective thirty (30) days after delivery to Franchisor of notice thereof. Any termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than a material breach of this Agreement by Franchisor and Franchisor's failure to cure such material breach within thirty (30) days after receipt of written notice thereof, shall be deemed a termination by Franchisee without cause.

B. By Franchisor

Franchisee acknowledges that the strict performance of all the terms of this Agreement is necessary not only for protection of Franchisor, but also for the protection of Franchisee and other franchisees of Franchisor. Therefore, Franchisee acknowledges and agrees that strict and exact performance by Franchisee of each of the covenants and conditions contained in this Agreement is a condition precedent to the continuation of this Agreement. If Franchisee shall breach any provision of this Agreement, then Franchisor shall notify Franchisee in writing of such breach, specifying its nature and giving Franchisee thirty (30) days in which to remedy same, except as set forth in **subsection C** below. If Franchisee shall fail to remedy such breach during said thirty (30) days, then Franchisor can terminate this Agreement and the Franchise effective immediately upon receipt by Franchisee of notice of termination. If applicable law requires that Franchisee be allowed more than thirty (30) days to remedy such breach, then Franchisee shall be given such longer time to remedy such breach.

C. Termination of Franchise -- Without Cure.

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and Franchisor, at its option, may terminate this Agreement and all rights granted under it, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisor notifying Franchisee in writing of such breach, upon the occurrence of any of the following events of default:

1. Franchisee fails to pay when due any fee, expense, charge or other amount due and owing to Franchisor or any of its affiliates after five (5) days written notice thereof; or if Franchisee has previously been given at least two (2) notices of nonpayment for any reason within the last twenty four (24) months and Franchisee thereafter fails to timely pay when due any fee, expense, charge or other amount;
2. Franchisee fails to pay when due any fee, expense, charge or other amount due and owing to any creditor of Franchisee after ten (10) days written notice thereof from Franchisor;
3. Franchisee abandons, surrenders, or transfers control of the operation of the Restaurant or fails to continuously and actively operate the Restaurant, unless precluded from doing so by events beyond Franchisee's reasonable control;
4. On two (2) or more occasion during any twelve (12)-month period Franchisee fails or refuses to submit when due any financial statement, tax return or other report required under this Agreement or submits to Franchisor (a) financial statements or other information or supporting records during any two-year period that understate by more than two percent (2%) Franchisee's Net Revenues, or (b) any financial statement or other information or supporting record that intentionally understates the Net Revenues or distorts any other material information;
5. Franchisee files a petition for relief from its or his debts, liabilities or obligations, or for appointment of a receiver for Franchisee or for all or a substantial portion of Franchisee's assets, or makes a general assignment for the benefit of Franchisee's creditors; or a petition is filed against Franchisee or a receiver is appointed for Franchisee or for all or a substantial portion of Franchisee's assets, or a judgment is entered against Franchisee, and such petition, appointment or judgment is not stayed or vacated or otherwise

- discharged within sixty (60) days or becomes unappealable or is acquiesced in or consented to by Franchisee;
6. Any of the representations of Franchisee herein or in any other instrument, document or certificate furnished pursuant to this Agreement or in connection therewith is untrue in any material respect or omits any material fact necessary to make any such representations not misleading in light of the circumstances in which such representation was made;
 7. Franchisee engages in any Transfer that requires Franchisor's prior written approval without Franchisee's having obtained that prior written approval.
 8. Franchisee becomes bankrupt, insolvent or otherwise unable to pay Franchisee's obligations as they become due;
 9. Franchisee, or any of its employees, agent or representatives, violates **Section XII.B** (Non-Disclosure Covenant) or otherwise discloses or divulges the contents of the Manual, or any other Confidential Information or Trade Secret, in violation of this Agreement, or if any person or entity bound to a confidentiality agreement entered into pursuant to, or due to the requirements set forth in, this Agreement violates such agreement;
 10. Franchisee or any Owner of Franchisee is convicted of a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that Franchisor believes is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interests therein;
 11. Within one hundred and eighty (180) days after the Effective Date, Franchisee has not obtained from Franchisor approval of Franchisee's proposed site and lease agreement or purchase agreement or, within one hundred and eighty (180) days after Franchisor's approval of the site for the Franchise and the lease or purchase agreement, Franchisee fails to commence operations of the Franchise;
 12. Franchisee violates **Section XVIII.C.** (Covenants Not to Compete) of this Agreement or if any person or entity bound to a non-competition obligation to Franchisor pursuant to **Section XVIII.I.** of this Agreement violates such obligation;
 13. If a threat or danger to public safety results from the construction, maintenance or operation of the Restaurant or Franchisee breaches or fails to comply with any law, regulation or ordinance that results in a threat to the public's health or safety, and fails to cure the non-compliance within twenty four (24) hours following receipt of notice thereof from Franchisor or applicable public officials, whichever occurs first;
 14. Franchisee operates the Restaurant in an unlawful manner without any required license or permit;
 15. Franchisee misuses or makes any unauthorized use of the Proprietary Marks, engages in any business or markets a service or products under a name or mark that is confusingly similar;
 16. Franchisee defaults under its lease agreement for the Restaurant premises and fails to cure the default within any applicable grace period under the lease agreement;
 17. Franchisee or any member of Management fails to attend and, in Franchisor's sole judgment, successfully complete any mandatory training program as require by the Franchisor;
 18. Franchisee fails to obtain Franchisor's prior written approval of any and all advertising, marketing or promotional plans and materials used by Franchisee in connection with its promotion of the Restaurant or otherwise fails to comply with Franchisor's policies and procedures with respect to advertising, marketing, or promotion;

19. Franchisee offers through the Restaurant or on the Restaurant premises any product or service that is not approved by Franchisor;

20. An event of default occurs under the terms and conditions of any other agreement between Franchisor (or any of its affiliates) and Franchisee (or any of its affiliates), including, but not limited to, any other Franchise Agreement or any Area Development Agreement or Area Representative Agreement, and such event of default provides Franchisor with the right to terminate such agreement;

21. On three (3) or more occasions during any twelve (12)-month period, Franchisee breaches this Agreement (regardless of whether or when such breaches are subsequently cured by Franchisee); or

22. On two (2) or more occasions during any twelve (12)-month period Franchisee fails to comply with Franchisor's operating standards (as prescribed in this Agreement and in the Manual) and does not correct such failures after being notified by Franchisor through any means including, without limited, in a written report or orally during an on-site inspection.

No such termination of this Agreement shall relieve Franchisee of any of Franchisee's obligations, debts or liabilities hereunder, including, without limitation, any debts, obligations or liabilities that have accrued prior to such termination, nor shall any such termination relieve Franchisee of any liability for damages Franchisor may suffer or incur as a result of such early termination, including, without limitation, damages resulting from loss of future Royalty Fees or Creative Fund contributions. The right of termination granted herein is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity or otherwise, all of which are cumulative. Franchisor has no obligation at any time to perform or to comply with any of its obligations to Franchisee, whether pursuant to this Agreement or otherwise, unless (i) Franchisee has fully complied with and performed all of Franchisee's obligations under this Agreement, and (ii) no event of default, or event which with the giving of notice or passage of time or both would become an event of default, exists hereunder.

XVI. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT

A. Payment of Monies Owed to Franchisor

Franchisee shall pay to Franchisor, within fifteen (15) days after the effective date of termination or expiration of this Agreement, any Royalty Fees, advertising fees, payments for inventory, supplies, Equipment or any other sums owed to Franchisor or any affiliate of Franchisor, by Franchisee, which are then unpaid.

1. The parties recognize the difficulty, but not the impossibility, of calculating damages caused by the loss to Franchisor in the event this Agreement is terminated, but nevertheless recognize and agree that such damages will arise, and hereby agree to the following formula on the calculation of such damages. Upon termination of this Agreement prior to the expiration of the term hereof other than pursuant to **Section XV.A.** hereof, then in addition to all other requirements of Franchisee specified in **Section XVI**, Franchisee shall also pay Franchisor, as liquidated damages and not as a penalty and in lieu of paying Franchisor for its lost monthly Royalty Fees for the period after the termination of this Agreement, an amount equal to three (3) times the average annual Royalty Fees paid or due with respect to the Franchise during the calendar year immediately prior to the termination. If the Franchise was open for business for less than a full calendar year, Franchisor shall be entitled to an amount equal to thirty-six (36) times the average monthly Royalty Fees paid or due with respect to the Franchise during each month in which the Franchise was open for business prior to termination.

2. Notwithstanding any other provision of this Agreement, if the foregoing liquidated damages formula is unenforceable or void for any reason, Franchisee shall pay Franchisor, in lieu of liquidated damages,

Franchisor's lost future profits which are caused by the loss of monthly Royalty Fees. Franchisee waives any duty on the part of Franchisor to mitigate any damages caused by the loss of future franchise fees, by Franchisee breaching this Agreement, or by Franchisee causing or otherwise allowing an event of default to occur.

B. Return of Manual and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, he or she will immediately return to Franchisor all originals and copies of the Manual, training aids and any other materials which have been loaned or provided to Franchisee by Franchisor or any affiliate of Franchisor. Franchisee must further agree to turn over to Franchisor any other manuals, customer lists, rolodexes, records, files, instructions, correspondence and brochures, computer software, computer diskettes, and any and all other Confidential Information and Trade Secrets relating to the operation of the Restaurant in Franchisee's possession, custody, or control and all copies thereof (all of which are acknowledged to be Franchisor's sole property), and will retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and any correspondence between the parties hereto, and any other documents which Franchisee reasonably needs for compliance with any provision of law.

C. Cancellation of Assumed Names Transfer of Phone Numbers

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee will take such action that may be required to cancel all assumed names or equivalent registrations relating to Franchisee's use of any Proprietary Marks and to notify the telephone company and listing agencies of the termination or expiration of Franchisee's right to use any telephone number in any classified ad and any other telephone directory listings associated with the Proprietary Marks or with the Restaurant and to authorize transfer of same to Franchisor. Franchisee must acknowledge in writing that as between Franchisor and Franchisee, Franchisor has the sole rights to and interests in all telephone numbers and directory listings associated with any Proprietary Marks or the Restaurant. Franchisee must further authorize Franchisor, and thereby appoint Franchisor as its attorney in fact, to direct the telephone company and all listing agencies to transfer the number and listings to Franchisor. Should Franchisee fail or refuse to do so, the telephone company and all listing agencies may accept such direction in this Agreement as conclusive evidence of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer.

D. Transfer of URLs, Web Pages, Email, Social Media and Cancellation of Internet Directories

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee immediately will take such action that may be required to transfer to Franchisor or cancel entirely (the decision to transfer or cancel being in Franchisor's sole discretion) any and all URLs, web pages, email accounts, social media accounts, and similar technology media and marketing accounts associated with the Restaurant. Unless otherwise directed by Franchisor, Franchisee will also instruct all business listing services (whether online or otherwise) that provide reference to the Restaurant to remove such reference.

E. Cease Using Proprietary Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any confidential methods, procedures, and techniques associated with Franchisor and the Proprietary Marks and any proprietary marks and distinctive forms, slogans, symbols, computer formats, signs, logos or devices associated with the System. In particular, and

without limiting the foregoing, Franchisee will cease to use all signs, advertising materials, stationery, forms, and any other articles which display the Proprietary Marks.

F. Cease Operating Restaurant

Franchisee agrees, upon termination or expiration of this Agreement, to immediately cease to operate the Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former franchisee of Franchisor.

G. Customers

Upon any termination or expiration of this Agreement, Franchisor has the unrestricted right, without paying you any legal consideration, to offer and sell, and to permit other Salsarita's franchisees to offer and sell, any products or services, to any and all customers of your Restaurant. Franchisor has the right to use information from your computer system or related reports submitted to us for such purposes, notwithstanding anything to the contrary contained in this Agreement.

H. No Confusion with Proprietary Marks

In the event Franchisee continues to operate or subsequently begins to operate any other business after termination or expiration of this Agreement, Franchisee agrees:

1. not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Proprietary Marks;
2. not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or a former association or connection with Franchisor; and
3. to take such action as may be required to cancel all fictitious or assumed name registrations relating to Franchisee's use of any of the Proprietary Marks.

I. Continuing Obligations

All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect until they are satisfied in full or by their nature expire.

J. Modification of Premises

Immediately upon termination or expiration of this Agreement for any reason, Franchisee shall make such modifications and alterations to the premises of the Restaurant operated under this Agreement as may be necessary to distinguish the appearance of the premises from that of other Restaurants so clearly as to prevent any possibility of confusion by the public, including, but not limited to, removing from the premises and discontinuing the use of all signs, tags, packaging, paper goods, advertising materials, fixtures, posters, décor items, forms and other materials and supplies which display any of the Proprietary Marks or any distinctive features, images, or designs associated with Franchisor, and shall make such specific additional changes to the Restaurant premises as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with this requirement, Franchisor shall have the right to enter upon the premises without being guilty of trespassing 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.

K. Franchisor's Option to Purchase

1. Upon the expiration or termination of this Agreement for any reason, Franchisor will have the option to purchase from Franchisee some or all of the assets used in the Restaurant (“**Assets**”). Franchisor may exercise its option by giving written notice to Franchisee at any time following expiration or termination up until thirty (30) days after the later of: (A) the effective date of termination or expiration; or (B) the date Franchisee ceases to operate the Restaurant. As used in this Section, “Assets” shall mean and include, without limitation, leasehold improvements, Equipment, vehicles, furnishings, fixtures, signs, supplies, inventory (non-perishable products, materials and supplies) and related items used in the Restaurant, and the real estate fee simple or the lease or sublease for the Designated Location. Franchisor shall be entitled to the entry of interlocutory and permanent orders of specific performance by a court of competent jurisdiction if Franchisee fails or refuses to timely meet its obligations under this Section.

2. Franchisor shall have the unrestricted right to assign this option to purchase the Assets. Franchisor or its assignee shall be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (A) ownership, condition and title; (B) liens and encumbrances; (C) environmental and hazardous substances; and (D) validity of contracts and liabilities inuring to Franchisor or affecting the Assets, whether contingent or otherwise.

3. If Franchisor only chooses to purchase inventory, supplies, Equipment or related items, the purchase price for these items shall be the original cost depreciated over five (5) years on a straight line basis and, if more than five (5) years old, the purchase price will be ten percent (10%) of the original cost. If Franchisor chooses to purchase the Restaurant, the purchase price for the Assets (“**Purchase Price**”) shall be their fair market value, (or, for leased assets, the fair market value of Franchisee’s lease) determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the Assets; provided, however, that the Purchase Price shall take into account the termination of this Agreement. Further, the Purchase Price for the Assets shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Restaurant nor any goodwill or “going concern” value for the Restaurant. Franchisor may exclude from the Assets purchased in accordance with this Section any Equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a Restaurant or for which Franchisee cannot deliver a Bill of Sale in a form satisfactory to Franchisor.

4. If Franchisor and Franchisee are unable to agree on the fair market value of the Assets within thirty (30) days after Franchisee’s receipt of Franchisor’s notice of its intent to exercise its option to purchase the Assets, the fair market value shall be determined by two professionally certified appraisers, Franchisee selecting one and Franchisor selecting one. If the higher appraisal is more than 10% greater than the other appraisal, the two appraisers shall select a third professionally certified appraiser who also shall appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and shall be the Purchase Price.

5. The appraisers shall be given full access to the Restaurant, the Designated Location and Franchisee’s books and records during customary business hours to conduct the appraisal and shall value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section. The appraisers’ fees and costs shall be borne equally by Franchisor and Franchisee.

6. Within ten (10) days after the Purchase Price has been determined, Franchisor may exercise its option to purchase the Assets by so notifying Franchisee in writing (“**Franchisor’s Purchase Notice**”). The Purchase Price shall be paid in cash or cash equivalents at the closing of the purchase (“**Closing**”), which shall take place

no later than sixty (60) days after the date of Franchisor's Purchase Notice. From the date of Franchisor's Purchase Notice until Closing:

7. Franchisee shall operate the Restaurant and maintain the Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Agreement. Franchisor shall have the right to appoint a manager, at Franchisor's expense, to control the day-to-day operations of the Restaurant and Franchisee shall cooperate, and instruct its employees to cooperate, with the manager appointed by Franchisor. Alternatively, Franchisor may require Franchisee to close the Restaurant during such time period without removing any Assets from the Restaurant.

8. For a period of thirty (30) days after the date of Franchisor's Purchase Notice ("**Due Diligence Period**"), Franchisor shall have the right to conduct such investigations as it seems necessary and appropriate to determine: (A) the ownership, condition and title of the Assets; (B) liens and encumbrances on the Assets; (C) environmental and hazardous substances at or upon the Designated Location; and (D) the validity of contracts and liabilities inuring to Franchisor or affecting the Assets, whether contingent or otherwise. Franchisee will afford Franchisor and its representatives access to the Restaurant and the Designated Location at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with Franchisee's operations of the Restaurant.

9. During the Due Diligence Period, at its sole option and expense, Franchisor may (A) cause the title to the Assets that consist of real estate interests ("**Real Estate Assets**") to be examined by a nationally recognized title company and conduct lien searches as to the other Assets; (B) procure "AS BUILT" surveys of the Real Estate Assets; (C) procure environmental assessments and testing with respect to the Real Estate Assets; and (D) inspect the Assets that consist of leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory ("**Fixed Assets**") to determine if the Fixed Assets are in satisfactory working condition. Prior to the end of the Due Diligence Period, Franchisor shall notify Franchisee in writing of any objections that Franchisor has to any finding disclosed in any title to lien search, survey, environmental assessment or inspection. If Franchisee cannot or elects not to correct any such title defect, environmental objection or defect in the working condition of the Fixed Assets, Franchisor will have the option to either accept the condition of the Assets as they exist or rescind its option to purchase on or before the Closing.

10. Prior to the Closing, Franchisee and Franchisor shall comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state in which the Restaurant is located and the bulk sales provisions of any applicable tax laws and regulations. Franchisee shall, prior to or simultaneously with the Closing, pay all tax liabilities incurred in connection with the operation of the Restaurant prior to Closing. Franchisor shall have the right to set off against and reduce the Purchase Price by any and all amounts owed by Franchisee to Franchisor, and the amount of any encumbrances or liens against the Assets or any obligations assumed by Franchisor.

11. If the Designated Location is leased, Franchisor agrees to use reasonable efforts to effect a termination of the existing lease for the Designated Location. If the lease for the Designated Location is assigned to Franchisor or Franchisor subleases the Designated Location from Franchisee, Franchisor will indemnify and hold Franchisee harmless from any ongoing liability under the lease from the date Franchisor assumes possession of the Designated Location, and Franchisee will indemnify and hold Franchisor harmless from any liability under the lease prior to and including that date.

12. If Franchisee owns the Designated Location, Franchisor, at its option, will either purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with Franchisee on terms comparable to those for which similar commercial properties in the area are then being leased. The initial term of this lease with Franchisee shall be at least 10 years with 4 options to renew of 5 years each and the rent shall be the fair market rental value of the Designated Location. If Franchisee and Franchisor cannot agree on the fair market rental value of the Designated Location, then appraisers (selected in the manner described in **Section XVI.K.4.** above) shall determine the rental value.

13. At the Closing, Franchisee shall deliver instruments transferring to Franchisor or its assignee: (A) good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by the Franchisee; (B) all licenses and permits for the Restaurant that may be assigned or transferred, with appropriate consents, if required; and (C) the lease or sublease for the Designated Location, with appropriate consents, if required. If Franchisee cannot deliver clear title to all of the purchased Assets as indicated in this Section, or if there are other unresolved issues, the Closing shall be accomplished through an escrow.

XVII. RELATIONSHIP OF FRANCHISOR AND FRANCHISEE

A. Independent Contractors

Franchisor and Franchisee are independent contractors. Neither this Agreement, the nature of the relationship of the parties nor the dealings of the parties pursuant to this Agreement will create, directly or indirectly, any fiduciary or similar relationship between the parties hereto. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner, employee or joint employer of the other for any purpose whatsoever. Franchisee agrees to identify itself conspicuously in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of the Franchise and business and agrees to place conspicuously such other notices of independent ownership at the Franchise and on forms, business cards, stationery, advertising and other materials as Franchisor may require from time to time.

Franchisee may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in Franchisor's name or on its behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. Franchisor will not be obligated by or have any liability under any agreements made by Franchisee with any third party or for any representations made by Franchisee to any third party. Franchisor will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of the Franchise.

Franchisee specifically acknowledges, and shall ensure that its employees are well advised, that Franchisor is not an employer of the Restaurant personnel. Franchisee shall be solely responsible for all wages, salaries, withholdings, taxes, insurance, benefits and all other employment-related costs and expenses in connection with Restaurant personnel. Franchisee shall conspicuously identify itself as the employer on all employment applications and other employment-related forms, and as the payor on all employee paychecks and paystubs, and shall not place the Proprietary Marks on any of those items.

Franchisee acknowledges and agrees that Franchisor shall not be liable for the acts, errors and omissions of any third-party with whom Franchisee contracts or otherwise deals, regardless of whether such third-party is an approved or designated supplier of the Restaurant or the System.

B. Indemnification

Franchisee agrees to indemnify Franchisor and its affiliates and the respective directors, officers, employees, shareholders, agents, successors and assigns of Franchisor and its affiliates (collectively, "**indemnitees**"), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of procedure, claim, demand, investigation, or formal or informal inquiry (whether adjudicatory, administrative or otherwise and regardless of whether it is reduced to judgment), or any settlement thereof, which arises directly or

indirectly from, or as a result of: (1) the selection, development, ownership, operation or closing of the Franchise; (2) any negligent act or omission, or more culpable conduct, of Franchisee or any of Franchisee's Owners, directors, officers, employees, agent or contractors; (3) any allegation or determination that Franchisor and Franchisee are joint employers of Restaurant personnel or that Franchisor is otherwise responsible for the acts, errors, and omissions of Franchisee concerning Restaurant personnel; or (4) Franchisee's breach of this Agreement or any of the warranties or representations contained herein. Franchisee shall be obligated to indemnify and hold harmless the indemnitees regardless of whether any strict, vicarious or joint liability is imposed by law on the indemnitees; provided, however, that this indemnity will not apply to the extent of liability arising from Franchisor's breach of this Agreement or the gross negligence or willful misconduct of the indemnitees. The term "**losses and expenses**" includes compensatory, exemplary, incidental, consequential and punitive damages (including lost profits); fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; costs of recall, refunds, compensation to third parties, and public notices; and all other costs associated with any of the foregoing losses and expenses. Franchisee agrees to give Franchisor prompt notice of any event of which Franchisee is aware for which indemnification is required, and, at Franchisee's expense and risk, Franchisor may elect to assume (but is under no circumstance obligated to undertake) the defense or settlement thereof, provided that Franchisor will seek Franchisee's advice and counsel. Franchisor's assumption of the defense or settlement of the event does not modify Franchisee's indemnification obligations herein. Franchisor may, in its reasonable discretion, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's reasonable discretion, necessary for the protection of the indemnitees or the System generally. This **Section XVII.B.** will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

C. No Fiduciary Relationship

It is understood and agreed by and between Franchisor and Franchisee that this Agreement does not establish a fiduciary relationship between them in any manner.

XVIII. COVENANTS

A. Franchisee Receives Confidential Information

Franchisee specifically acknowledges that pursuant to this Agreement, Franchisee will receive valuable training and confidential information, including, without limitation, Confidential Information, Trade Secrets, information regarding promotional, operational, sales, and marketing methods and techniques of Franchisor and the System.

B. Competitive Business

"**Competitive Business**" means any business enterprise which (i) operates a restaurant specializing in Mexican food or beverages, (ii) issues licenses or franchises to others the right to operate a restaurant specializing in Mexican food or beverages, or (iii) otherwise competes with Franchisor as Franchisor's business may evolve over time.

C. Covenants Not to Compete

1. Franchisee shall not, directly or indirectly (including, without limitation, through any subsidiary): (a) during the term of this Agreement, own, manage, operate, maintain, advise, consult with, invest in, be

employed by, franchise, license or engage in a Competitive Business; and (b) for one (1) year after expiration or termination of this Agreement, own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business that is located (i) at the Designated Location, (b) within the Protected Territory, (c) within the area defined in **Exhibit C**, or (d) within a five (5)-mile radius of any other Salsarita's Restaurant in existence or in development at the time of such termination or expiration. The radius of any restrictive covenant set forth in this **Section XVIII.C.1.** shall be measured from the main entrance door of the Restaurant.

2. Franchisee shall not, during the term of this Agreement and for one (1) year after expiration or termination of this Agreement, directly or indirectly (including, without limitation, through any subsidiary): (a) divert, or attempt to divert, any business or customer of any Salsarita's Restaurant to any Competitive Business; and (b) seek to employ, and thereafter employ, any person who is employed, or at any time in the preceding 12-month period has been employed, by Franchisor or any affiliate of Franchisor, or otherwise induce or seek to induce any such person to leave his or her employment. In the event of a breach of **Section XVIII.C.2.(b)** hereof, recognizing the amount of time, effort and money necessary to find and develop replacement personnel, and recognizing the difficulty of calculating the exact amount of damages for such breach, Franchisee agrees, in addition to any and all other remedies available to Franchisor or its affiliate, to pay Franchisor or its affiliate, as applicable, as liquidated damages and not as a penalty, an amount equal to the employee's most recent annual salary set by Franchisor or its affiliate or, if an hourly employee, the employee's annualized salary calculated based on the employee's most recent pay rate set by Franchisor or its affiliate, a 40 hour work week, and 52 work weeks per year.

3. The covenants of this **Section XVIII.C** are not intended to prevent any individual from being able to procure gainful employment. Franchisee acknowledges and agrees that the above-stated covenants are reasonable in terms of geographic scope, duration of time, and type of activity restrained and that these covenants do not impose greater restraints than are necessary to protect Salsarita's franchisees, the System, and the goodwill or other business interests of Franchisor. The one (1) year post-term covenants shall be tolled during any period of time Franchisee is in violation of such post-term covenants such that the covenants shall be enforceable for a full one (1)-year period.

D. Exception to Covenant Not to Compete

Section XVIII.C. hereof shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

E. Covenants are Independent

The parties agree that each of the foregoing covenants shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this **Section XVIII** of this Agreement are held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any 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 resultant covenant were separately stated in and made a part of this section of this Agreement.

F. Claims Are Not Defense to Covenants

Franchisee expressly agrees that the existence of any claim 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 of **Section XVIII.C.** of this Agreement. Franchisee further agrees that Franchisor shall be entitled to set off from any amount owed by Franchisor to Franchisee any loss or damage to Franchisor resulting from Franchisee's breach of **Section XVIII.C.** of this Agreement.

G. Injunctive Relief Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of **Section XVIII** of this Agreement will cause Franchisor irreparable injury for which no adequate remedy at law may be available, and Franchisee hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Franchisee in violation of the terms of this section of this Agreement. Franchisor may further avail itself of any legal or equitable rights and remedies which it may have under this Agreement or otherwise. Franchisee agrees Franchisor, due to the nature of the irreparable harm and injury Franchisor and the System will suffer if the requirements of this section of this Agreement are violated, may apply for injunctive or other equitable relief to any state or federal court of competent jurisdiction, including one located in Mecklenburg County, North Carolina, or the Western District of North Carolina, and Franchisee hereby consents to personal jurisdiction and venue in such courts.

H. Business Entity Franchisee

If Franchisee is a business entity, the following requirements shall apply:

1. Franchisee represents and warrants that **Exhibit A** sets forth a complete and accurate list of all (i) legal and record owners of any and all stock, membership interests, partnership interests or other equity interests, as applicable (“**Equity Interests**”), in Franchisee and, to the extent required by Franchisor, a complete and accurate list of all direct and indirect beneficial owners of such Equity Interests in Franchisee and persons or entities who may otherwise have control over the management or decisions of Franchisee, directly or indirectly, by contract or otherwise (collectively, “**Owners**”), and their respective ownership holdings and percentages. Franchisee will promptly notify Franchisor if any of the ownership information set forth on **Exhibit A** changes at any time. Notwithstanding the foregoing, Franchisee acknowledges and agrees that changes in Equity Interests and Owners are subject to the provisions of **Section XIX**. Upon Franchisor’s request, Franchisee shall execute addenda to **Exhibit A** as changes in ownership occur in order to ensure the information contained in **Exhibit A** is true, accurate and complete at all times.
2. Unless otherwise agreed in writing by Franchisor, Franchisee shall cause those certain Owners designated by Franchisor on **Exhibit A** to guarantee Franchisee’s performance hereunder and to perform and discharge certain obligations under this Agreement by entering into the Payment and Performance Guarantee attached hereto.
3. Developer represents and warrants that it has caused all Owners to read and approve this Agreement, including any restrictions which this Agreement places upon their right to transfer their interests in Developer.

I. Franchisee to Obtain Covenants of Confidentiality and Non-Competition

Unless otherwise agreed in writing by Franchisor, Franchisee shall obtain and deliver to Franchisor executed covenants of confidentiality (in the form set forth as **Exhibit F**) and non-competition (in the form set forth as **Exhibit G**) from, (a) those Owners identified on **Exhibit A** as designated to sign such covenants, and (b) each Operating Principal.

XIX. ASSIGNMENT

A. Assignment by Franchisor

This Agreement grants Franchisor the right to freely transfer or assign all or part of its rights or obligations under this Agreement to any assignee or other legal successor to the interests of Franchisor without Franchisee’s consent.

B. Assignment by Franchisee

1. This Agreement and the License are personal to Franchisee and, if Franchisee is a business entity, Franchisee's Owners, and Franchisor has granted the License in reliance on the business skill, financial capacity and personal character of Franchisee and Owners. Accordingly, except as otherwise provided herein, neither Franchisee nor any successor to any part of Franchisee's interest in this Agreement or the License nor any Owner may make any Transfer or permit any Transfer to occur without obtaining Franchisor's prior written consent. Any purported Transfer without the prior written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement. For purposes of this **Section XIX.B.**, "Transfer" means any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any direct or indirect interest in Franchisee (if Franchisee is a business entity), this Agreement, the License, the Franchise or any other assets relating to Franchisee's operations under this Agreement.

2. Franchisor shall not unreasonably withhold its consent to a Transfer. The decision as to whether or not to consent to a proposed Transfer shall be made by Franchisor in its sole discretion and shall include numerous factors deemed relevant by Franchisor. These factors may include, but will not be limited to, the following:

a. transferee demonstrates to Franchisor's satisfaction that it or its owners meet Franchisor's educational, financial, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to operate the Franchise; have adequate financial resources and capital to manage the Franchise; and are not engaged in, and have no affiliation with any person engaged in, a Competing Business;

b. Franchisee agrees to remain liable for all of the obligations to Franchisor in connection with the Franchise arising prior to the effective date of the Transfer, and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

c. transferee signs the then current form of this Agreement, which form may contain provisions which materially alter the rights or obligations of Franchisee under this Agreement; and

d. all of Franchisee's accrued monetary obligations to Franchisor are satisfied.

Franchisor shall not charge such assignee an Initial Franchise Fee for the Franchise, but will charge a transfer fee equal to (a) thirty percent (30%) of the then-current Initial Franchise Fee charged by Franchisor in its then-current Franchise Agreement plus the amount of any training fees if the transferee is an existing franchisee or controlled by one or more Owners of any existing franchisee or (b) one hundred percent (100%) of the then-current Initial Franchise Fee charged by Franchisor in its then-current Franchise Agreement if the transferee is not an existing franchisee or controlled by one or more Owners of any existing franchisee. Notwithstanding the foregoing, neither Franchisee nor transferee will be required to pay Franchisor a transfer fee in connection with a Transfer of less than 50% of the ownership interests in Franchisee, including, but not limited to, a Transfer subject to **Section XIX.B.3**. If Franchisor determines that training is required, at its own expense assignee will attend training at Franchisor's training center as required under the then current Franchise Agreement. Franchisor shall have the right to require Franchisee (and Owners) to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of assignment or other transfer of the Franchise.

3. Notwithstanding the foregoing, if Franchisee is a business entity, Franchisor will consent to the Transfer of 10% or less of the ownership interests in Franchisee, provided that: (a) Franchisee provides

Franchisor prior written notice of the proposed Transfer; (b) Franchisee and/or the transferee (as applicable) comply with the requirements of **Section XVIII.H**; and (c) after the Transfer, those persons or entities that have an ownership interest in Franchisee as of the Effective Date have at least a 51% direct equity interest in Franchisee.

C. Franchisor's Right of First Refusal

If any party holding any direct or indirect interest in Franchisee or in this Agreement receives a bona fide offer (as determined by Franchisor in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require Franchisor's consent, such offer shall be submitted to Franchisor. For a period of thirty (30) days from the date of Franchisor's receipt of such offer, Franchisor shall have the right, exercisable by written notice to Franchisee (or Owners), to purchase the Restaurant or such ownership, for the price and on the same terms and conditions contained in such offer, provided that Franchisor may substitute cash for any other form of payment proposed in such offer. If Franchisor does not exercise its right of first refusal, the bona fide written offer may be accepted by Franchisee (or Owners) but only upon the same terms and conditions proposed to Franchisor, and subject to the prior written approval of Franchisor, as provided in this Agreement.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in the Franchise, the executor, administrator, or personal representative of that person must Transfer his or her interest to a third party approved by Franchisor within three (3) months after death or mental incapacity. These Transfers, including, without limitation, Transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos Transfer. However, in the case of a Transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions contained in this Agreement, the personal representative of the deceased Franchisee shall have a reasonable time in the sole discretion of Franchisor, to dispose of the deceased's interest in the Restaurant which disposition will be subject to all the terms and conditions for Transfer contained in this Agreement. If the interest is not disposed of within a reasonable time (as determined by Franchisor in its sole discretion), Franchisor may terminate this Agreement.

XX. ABSENCE, INCAPACITY, OR DEATH; CRISIS SITUATION

A. Operation in the Event of Absence, Incapacity or Death

In order to prevent any interruption of the business of the Restaurant which would cause harm to said business and thereby depreciate the value thereof, Franchisee authorizes Franchisor, in the event that Franchisee is absent or incapacitated or dies, and is not, therefore, in the sole judgment of Franchisor, able to operate the Restaurant hereunder, to operate said business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. Provided, however, that in the event that Franchisor should commence to operate the Franchise, Franchisor shall not be obligated to so operate the Franchise for a period of more than ninety (90) days. All monies from the operation of the business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the business, including reasonable compensation and expenses for Franchisor's representatives, shall be charged to said account. The indemnification obligations of **Section XVII.B.** above shall include all losses and expenses incurred by Franchisor in connection with Franchisor temporarily operating the Restaurant pursuant to this Section.

B. Crisis Situation

If any employee, guest or customer of the Restaurant has actually or allegedly been harmed by, or may become harmed by, food spoilage or food poisoning from food of the Restaurant, the tampering or sabotage of food of the Restaurant, a serious accident on the Premises, a robbery or shooting on the Premises, a natural disaster (ex: tornado, earthquake or hurricane) affecting the Restaurant, or any other similar type of situation that may attract media attention or damage the Proprietary Marks, the System, the goodwill or the reputation of Franchisor, or the reputation of any franchisee (“**Crisis Situation**”), Franchisee shall immediately: (1) contact all appropriate and necessary emergency care providers to assist in curing the harm or injury; and (2) notify Franchisor of the Crisis Situation. Except as may be necessary to protect persons and property from harm, Franchisee shall refrain from making any internal or external announcements regarding the Crisis Situation, including any communication with the news media, unless otherwise directed by Franchisor or public authorities.

To the extent Franchisor deems appropriate, in its sole discretion, Franchisor or its designee shall have the right, but not the obligation, to control the manner in which the Crisis Situation is handled, including, without limitation, control over communication with the news media and control over the decision to temporarily close the Restaurant. Franchisee acknowledges that, in handling the Crisis Situation, Franchisor or its designee may engage the services of public relations firms, attorneys, experts, testing laboratories and other third parties as it deems appropriate, and Franchisee must reimburse Franchisor for all such costs. Franchisee and its employees shall cooperate fully with Franchisor or its designee in handling the Crisis Situation and shall comply with any and all Crisis Situation procedures that may be developed by Franchisor in the Manual or otherwise. The indemnification obligations of **Section XVII.B.** above shall include all losses and expenses incurred by Franchisor in connection with the exercise by Franchisor, or its designee, of the Crisis Situation management rights granted to Franchisor in this Section. At any time during or following a Crisis Situation, and in Franchisor’s sole discretion, Franchisor may assign any of its previously assumed management activities to Franchisee.

XXI. WAIVER

No failure of Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor’s right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default or breach by Franchisee shall not affect or impair Franchisor’s rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor’s right to exercise the same; nor shall such constitute a waiver by Franchisor of any succeeding breach by Franchisee of any terms, covenants or conditions of this Agreement. Following a notice of default or termination to Franchisee, the acceptance by Franchisor of any monies from Franchisee which do not fully cure any such monetary fault within the time provided shall not be deemed a waiver of Franchisor’s right to effectuate termination of this Agreement and Franchisee’s rights hereunder.

XXII. ENFORCEMENT

A. Governing Law

This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to conflicts of laws principles. Nothing in this Section is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

B. Forum

The parties agree that, to the extent any disputes cannot be resolved directly between them, Franchisee shall file any suit against Franchisor only in the federal or state court having jurisdiction where Franchisor's principal offices are located at the time suit is filed. Franchisor may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Franchisee resides or does business or where the Restaurant is or was located or where the claim arose. Franchisee consents to the personal jurisdiction of those courts over Franchisee and to venue in those courts.

C. Limitations

Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to Franchisee) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

D. Waivers

Franchisee and Franchisor waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between them, each shall be limited to the recovery of actual damages sustained by it. **Franchisee and Franchisor waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.**

E. Attorneys' Fees

If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost 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, the proceeding. If Franchisor utilizes legal counsel (including in-house counsel employed by Franchisor) in connection with any failure by Franchisee to comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

F. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein,

and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

G. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that he or she will not withhold payments of any Royalty Fees or any other amounts of money owed to Franchisor for any reason on grounds of alleged nonperformance by Franchisor of any obligation hereunder.

H. Rights of Parties Are Cumulative

The rights of Franchisor and Franchisee hereunder are cumulative, and the exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall not preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law or equity to enforce. Nothing herein shall preclude Franchisor from seeking consequential damages (including, without limitation, lost profits) in the event that Franchisee terminates this Agreement without complying with **Section XV.A.** or Franchisor terminates this Agreement due to Franchisee's breach or default.

I. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

J. Construction

The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. The term "**Franchisee**" as used herein is applicable to one or more persons or an entity, as the case may be; the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. The language of this Agreement will be construed according to its fair meaning and not strictly against or for any party. If there is an inconsistency between the terms of this Agreement and the Manual, the terms of this Agreement will prevail. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, other than our franchise disclosure document, that either party may or does rely on or that will have any force or effect. This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement will be deemed to confer any rights or remedies on any person or legal entity not a party hereto, other than successors and assigns of any party to this Agreement whose interests are assigned in accordance with its terms.

The word "including" will be construed to include the words "without limitation." If two or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us will be joint and several. The parties hereto acknowledge and agree that the franchise relationship contemplated by this Agreement, as well as other similar agreements with other Salsarita's franchisees, confers on Franchisor the discretion to make decisions and to take certain actions and that Franchisor will exercise its business judgment honestly in doing so.

Whenever this Agreement requires the approval or consent of either party, the other party must make written request therefor, and such approval or consent must be obtained in writing. This Agreement may be executed in multiple copies, each of which will be deemed an original. Time is of the essence in this Agreement.

K. Modification

This instrument contains the entire agreement between the parties relating to the subject matter hereof. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

L. Exercise of Rights

Except as otherwise expressly provided herein, the rights of the parties hereto are cumulative and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy which such party is entitled to enforce by law. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

M. Notices and Payments

All notices, requests and reports permitted or required to be delivered by this Agreement will be deemed delivered: (a) at the time delivered by hand to the recipient party (or to an officer, director, member, manager or partner of the recipient party); (b) on the same day of the transmission by email or other reasonably reliable electronic communication system; (c) one (1) business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. All payments and reports required by this Agreement must be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice. All payments required by the Agreement will be deemed delivered at the time such payment is actually received by the payee.

XXIII. TAXES, PERMITS AND INDEBTEDNESS

A. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, payroll, unemployment and sales taxes, and shall promptly pay when due all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Restaurant's business, including but not limited to amounts due to Franchisee's lessors, vendors and creditors.

Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax, excise tax, withholding tax, use tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, or with respect to Franchisor furnishing products and services (including any Equipment) to Franchisee, unless the tax is credited against income tax otherwise payable by Franchisor.

B. Franchisee Can Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the proper 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 liens, writ or warrant, or attachment by a creditor to occur against the premises of the Restaurant or any improvements thereon.

C. Franchisee Must Comply With Laws

Franchisee shall, at Franchisee's expense, comply with all federal, state and local laws, rules, regulations and ordinances and shall timely obtain and shall keep in force as required throughout the term of this Agreement all permits, certificates and licenses necessary for the full and proper conduct of the Restaurant, including, without limitation, any required permits, licenses to do business, fictitious name filings and registrations, sales tax permits, health inspections and fire clearances.

D. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify Franchisor in writing within five (5) days of notice of the commencement of, or against the threat of, any action, suit, or proceeding by or against Franchisee, and of the issuance of, or against the threat of, any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of Restaurant, including, without limitation, any criminal action or proceedings brought by Franchisee against its employees, customers, or other persons.

E. Franchisee Authorizes Franchisor to Contact Lessors, Vendors and Creditors

Franchisee hereby authorizes Franchisor to contact Franchisee's lessors, vendors and creditors as Franchisor deems appropriate to address compliance and other issues related to the Restaurant and this Agreement, and Franchisee agrees that such lessors, vendors and creditors are authorized to disclose factual information regarding Franchisee's contracts, debts and other obligations to Franchisor.

IV. AUTHORITY

Franchisee has caused all Owners to read and approve this Agreement, including any restrictions which this Agreement places upon their right to transfer their Equity Securities.

XXV. AUTHORIZED OFFICERS.

Except for those officers specifically named on **Exhibit D** hereto, no other person or entity is authorized to act on behalf of Franchisee with respect to any right or obligation of Franchisee under this Agreement or other similar agreement between Franchisee and Franchisor. Franchisee agrees to update the authorized persons set forth on **Exhibit D** promptly following the cessation of such persons' authorization to act on behalf of Franchisee.

XXVI. SPECIAL REPRESENTATIONS

Franchisee (and each Owner if Franchisee is a business entity) hereby represents that:

- A. Franchisee has received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) days prior to execution as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least seven (7) days prior to execution as required by such Trade Regulation Rule.
- B. Neither Franchisee, nor any Owner, nor any of their respective affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>). Further, Franchisee represents and warrants that neither it nor any Owner of their respective affiliates referred to above has violated, and Franchisee agrees not to violate and to cause each of them to refrain from violating, any law prohibiting corrupt business practices, money laundering or the aid or support of entities or individuals who conspire to commit acts of terror against any entity, individual or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ56/pdf/PLAW-107publ56.pdf>), U.S. Executive Order 13224 (text currently available at <http://www.state.gov/j/ct/rls/other/des/122570.htm>), or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.
- C. Franchisee has conducted an independent investigation of Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent business person. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.
- D. Franchisee has received, read, and understood this Agreement, including all Attachments hereto; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of his/her own choosing about the potential benefits and risks of entering into this Agreement.
- E. Prior to the date of this Agreement, no other Agreement was entered into, no promises were made by Franchisor, that Franchisee has relied upon no representations other than those set forth in this Agreement and Franchisor's franchise disclosure document, and that no funds were offered to or accepted by Franchisor prior to execution of this Agreement and only in accordance with this Agreement.

[Signatures Begin on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date.

FRANCHISOR:

SALSARITA'S FRANCHISING, LLC

By: _____
Print Name: _____
Title: _____

FRANCHISEE:

If an individual:

Print Name: _____

If a corporation:

[INSERT NAME OF CORPORATION ABOVE]

By: _____
Print Name: _____
Title: _____

[Signatures Continued on Following Page]

[Signatures Continued from Preceding Page]

If a partnership:

[INSERT NAME OF PARTNERSHIP ABOVE]

By: _____

Print Name: _____

Title: General Partner

If a limited liability company:

[INSERT NAME OF COMPANY ABOVE]

By: _____

Print Name: _____

Title: _____

Payment and Performance Guarantee

In order to induce **SALSARITA'S FRANCHISING, LLC** ("**Franchisor**") to enter into a certain Franchise Agreement (such agreement, as may be amended, modified, restated, renewed or extended from time to time, the "**Franchise Agreement**") by and between Franchisor and the Franchisee named in the Franchise Agreement to which this Payment and Performance Guarantee (the "**Guarantee**") is attached, the undersigned (collectively referred to as the "**Guarantors**" and individually referred to as a "**Guarantor**") hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly, severally and unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal or modification thereof in whole or in part (the "**Guaranteed Liabilities**"), and agree that if any of the Guaranteed Liabilities is not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes or controversies between Franchisor and Franchisee and of the settlement, compromise or adjustment thereof. This Guarantee is primary and not secondary, and shall be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee shall be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term; No Waiver. This Guarantee shall be irrevocable, absolute and unconditional and shall remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude other further exercise of such right or any other right or remedy.

4. Enforcement. **Section XXII** of the Franchise Agreement is incorporated herein by reference and shall be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Franchisee" referred to therein.

5. Miscellaneous. This Guarantee shall remain in full force and effect with respect to any further amendment, modification, restatement, extension or renewal of or to the Franchise Agreement. This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

General Information

Effective Date: _____

Franchisor's Principal Business Address: Salsarita's Franchising, LLC
5260 Parkway Plaza Blvd, Suite 160
Charlotte, North Carolina 28217
Email: _____
Attention: _____

Franchisee's Name: _____

Initial Franchise Fee: _____

Owners:

Name	Percentage or Nature of Ownership Interest	Owner to execute Payment and Performance Guarantee	Owner to execute Confidentiality Agreement (Exhibit F)	Owner to execute Non-Compete Agreement (Exhibit G)
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No

Operating Principal: _____

Franchisee's State of Organization (if applicable): _____

Advertising Obligation: Franchisee's Advertising Obligation shall be allocated as set forth below, unless and until modified by Franchisor:

- A. Creative Fund _____% of Net Revenues
- B. Regional Co-op _____% of Net Revenues
- C. National Ad Fund _____% of Net Revenues
- D. Local Store Marketing Fund _____% of Net Revenues

TOTAL ADVERTISING OBLIGATION: _____% of Net Revenues

Mailing address and email address of Franchisee:

Mailing address and email address of Guarantor(s):

Protected Territory: _____

Catering Territory: _____

Accepted and agreed as of _____, 20__:

Franchisee _____ (initial)

Franchisor _____ (initial)

Designated Location: _____

Franchisor and Franchisee agree that the Designated Location was inserted as of _____, 20__.

**EXHIBIT B
TO FRANCHISE AGREEMENT**

The Proprietary Marks

Registration Number	Description of Mark	Principal/ Supplemental Register	Registration Date
2,466,514	Salsarita's (typed)	Principal	July 3, 2001
5,331,137	Salsarita's Fresh Mexican Grill (stylized)	Principal	November 7, 2017
5,331,138	Salsarita's Fresh Mexican Grill (stylized)	Principal	November 7, 2017

**EXHIBIT C
TO FRANCHISE AGREEMENT**

Restrictive Covenant Territory

**EXHIBIT D
TO FRANCHISE AGREEMENT**

Certificate of Authorized Officers

The undersigned officer or officers, all duly appointed, qualified and acting officers of Franchisee, hereby do certify to Franchisor that the persons named below are: (1) the duly appointed or elected officers in the offices of Franchisee set forth opposite their respective names and (2) are authorized to act on behalf of Franchisee with respect to any right or obligation of Franchisee under this Franchise Agreement, Area Development Agreement, Area Representative Agreement or other similar agreement between Franchisee and Franchisor:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Please attach additional signature sheets if more space is required.)

I, the undersigned, agree to update this Certificate if any information contained herein is no longer accurate.

Date: _____

Print Name: _____

Title: _____

Print Name: _____

Title: _____

**EXHIBIT G
TO FRANCHISE AGREEMENT**

LEASE RIDER

THIS LEASE RIDER is made and entered into as of _____ 20__ BY AND AMONG _____, a _____ whose principal place of business is _____ (the “**Landlord**”) _____, a _____ whose principal place of business is _____ (the “**Tenant**”), and Salsarita’s Franchising, LLC a Mississippi limited liability company authorized to do business in North Carolina whose principal place of business is 5260 Parkway Plaza Blvd., Suite 160, Charlotte, NC 28217 (“**Salsarita’s Franchising, LLC**”).

RECITALS:

- A. This Lease Rider supplements and forms part of the attached Lease Agreement dated _____ (as may be amended or restated from time to time, the “**Lease**”) for the premises situated at _____ (the “**Premises**”) to be used by the Tenant as a Salsarita’s Fresh Mexican Grill Restaurant. The term of the lease together with any renewal periods is no less than an initial ten (10) year term under the Franchise Agreement (as defined below).
- B. This Lease Rider is entered into in connection with Salsarita’s Franchising, LLC approval of the location of the Premises as a Salsarita’s Franchising, LLC and the grant of a franchise to Tenant pursuant to a Franchise Agreement dated _____ (the “**Franchise Agreement**”).
- C. This Lease Rider is intended to provided Salsarita’s Franchising, LLC with certain rights and options with respect to the Premises, on and subject to the terms, covenants and conditions contained in this Lease Rider.
- D. The Landlord agrees that Salsarita’s Franchising, LLC 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 ON TENANT UNDER THE LEASE**

The Landlord agrees to send to Salsarita’s Franchising, LLC copies of any notices of default under the Lease 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 Salsarita’s Franchising, LLC further written notice specifying the defaults that the Tenant has failed to cure. For a period of thirty (30) days following Salsarita’s Franchise, LLC’s receipt of such further written notice, Salsarita’s Franchising, LLC shall have the right (but not the obligation) to notify Landlord of the exercise of its right to assume the Lease pursuant to clause 4.1 below. If the Tenant fails to cure any default under the Lease within the cure period provided to the Tenant, Salsarita’s Franchising, LLC shall have the right (but not the obligation) for a period of thirty (30) days following the expiration of such cure period, to cure such default.

2. **UPON TERMINATION OF THE FRANCHISE AGREEMENT**

If the Franchise Agreement expires or is terminated for any reason during the term of the Lease, or any extension or renewal term of the Lease, and if Salsarita’s Franchising, LLC shall desire to assume the

Lease, Salsarita's Franchising, LLC may (but shall not be obligated to), within thirty (30) days following such termination or expiration, give the Landlord written notice of its election to assume the Lease pursuant to the provisions of clause 4.1 below.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains terms renewal or extension right(s) and if the Tenant allows the term of the Lease to expire without exercising such right(s), the Landlord shall give Salsarita's Franchising, LLC written notice to this effect and Salsarita's Franchising, LLC shall have the right, but not the obligation, for thirty (30) days following receipt of such notice, to notify Landlord of the exercise of its right to assume the Lease pursuant to clause 4.1 below and exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease.

4. ADDITIONAL PROVISIONS

4.1 The Tenant hereby irrevocably assigns and transfers to Salsarita's Franchising, LLC, and Salsarita's Franchising, LLC hereby assumes and accepted from the Tenant, all of the Tenant's right, title and interest in and to the Lease; provided, however, that the foregoing assignment shall take effect only upon Salsarita's Franchising, LLC having notified Landlord pursuant to Section 1, Section 2 or Section 3 above of the exercise of its right to assume the Lease. The Landlord hereby consents to such assignment and, upon such notice from Salsarita's Franchising, LLC, agrees to recognize Salsarita's Franchising, LLC or its designee as the tenant under the Lease. Upon the effectiveness of such assignment, Tenant agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of Salsarita's Franchising, LLC. 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 Salsarita's Franchising, LLC. In no event shall Salsarita's Franchising, LLC assume any liabilities under the Lease that arise prior to the effective date of assignment of the Lease pursuant to this clause 4.1. Following receipt of notice of Salsarita's Franchising, LLC's election to assume the Lease, the Landlord and Tenant agree to execute such documents (including, without limitation, an assignment and consent to assignment) and take all such further action as Salsarita's Franchising, LLC may reasonably request to evidence or otherwise perfect the assignment and consent contemplated by this clause 4.1.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligation under the Lease, notwithstanding any assumption of the Lease by Salsarita's Franchising, LLC.

4.3 Salsarita's Franchising, LLC may elect not to be bound by the terms of any amendment to the Lease executed by the Tenant without obtaining Salsarita's Franchising, LLC prior written approval to such amendment, which approval shall not be unreasonably withheld or delayed.

4.4 After Salsarita's Franchising, LLC assumes the Tenant's interest under the Lease, Salsarita's Franchising, LLC may, at any time, sublet the Premises to an affiliate of Salsarita's Franchising, LLC or to a Salsarita's Fresh Mexican Grill Franchisee approved by Salsarita's Franchising, LLC, in each case without having to obtain the prior written consent of the Landlord.

4.5 Other than as set forth in Section 4.4, after Salsarita's Franchising, LLC or its designee assumes the Tenant's interest under the Lease, Salsarita's Franchising, LLC or such designee 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, Salsarita's Franchising, LLC or such designee 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 Salsarita's Franchising, LLC fails to exercise its option to assume the Lease as described above, the Tenant agrees upon written demand by Salsarita's Franchising, LLC to de-identify the Premises as a Salsarita's Fresh Mexican Grill Restaurant and to promptly remove signs, décor and other items which Salsarita's Franchising, LLC reasonably request be removed as being distinctive and indicative of a Salsarita's Fresh Mexican Grill Restaurant. Landlord hereby agrees that Salsarita's Franchising, LLC 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 Salsarita's Franchising, LLC, following termination of the Franchise Agreement or Lease. If Salsarita's Franchising, LLC conducts such de-identification, Salsarita's Franchising, LLC shall warrant the repair and/or cost of any damages caused in removing the items during de-identification.

4.7 Upon Salsarita's Franchising, LLC's request, the Landlord agrees to provide Salsarita's Franchising, LLC with all sales and other information in the Landlord's possession related to the operation of the Franchise. The Tenant consents to the provision of such information by the Landlord to Salsarita's Franchising, LLC.

4.8 Salsarita's Franchising, LLC may assign its right to take assumption of the Lease pursuant to Section 4.1 above to any third-party designated by Salsarita's Franchising, LLC, in which case all rights and consents afforded by this Lease Rider to Salsarita's Franchising, LLC as assignee of the Lease shall belong to such third-party.

4.9 The Landlord acknowledges and agrees that the Tenant is permitted to display, in accordance with Salsarita's Franchising, LLC's specifications, the signage and trademarks prescribed by Salsarita's Franchising, LLC under the Franchise Agreement at the Premises.

4.10 The Landlord agrees that the Premises may be used only for the operation of the Franchise and for no other purposes without Salsarita's Franchising, LLC's express prior written consent.

4.11 BY EXECUTING THIS LEASE RIDER TO THE LEASE, SALSARITA'S FRANCHISING, LLC DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL SALSARITA'S FRANCHISING, LLC EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

4.12 All notice 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 Lease Rider may, either by written notice, instruct that notices be given.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Lease Rider as of the date and year first written above.

EXECUTED by the parties as follows:

SIGNED by _____)

As Landlord)

In the presence of:)

(Name of Signatory)

SIGNED by _____)

As Tenant)

In the presence of:)

(Name of Signatory)

SIGNED by SALSARITAS)

FRANSHISING, LLC by its)

Duly authorized officer in the presence of:)

(Name of Signatory)

**EXHIBIT F
TO FRANCHISE AGREEMENT**

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this “Agreement”) is made and entered into as of the ____ day of _____, 20____ by and between Salsarita’s Franchising, LLC, a Mississippi limited liability company, (hereinafter referred to as the “Company”) and _____, whose address is _____ (hereinafter referred to as “Recipient”).

WITNESSETH THAT:

WHEREAS, the Company has developed a franchise system (the “System”) for the operation of SALSARITA’S® brand restaurants (“System Restaurants”), and owns certain confidential and proprietary information in connection with the System, including, among other things, recipes, ingredients, methods and techniques of food preparation, supplier relationships, the content of training programs, operating processes and procedures, and other valuable business information;

WHEREAS, the Company and _____ (“Franchisee”) have entered into a Franchise Agreement dated _____, 20____ (the “Franchise Agreement”; capitalized terms used but not otherwise defined in this Agreement have the meanings given in the Franchise Agreement) granting Franchisee the right to operate a System Restaurant, on and subject to the terms of the Franchise Agreement; and

WHEREAS, by virtue of Recipient’s association with the Franchise, Recipient may or will have access to the Company’s confidential and proprietary information or training and therefore has agreed to be bound to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. DEFINITIONS.

(a) As used herein, the term “Confidential Information” means all valuable and proprietary confidential information or data of the Company other than Trade Secrets (as defined below). Confidential Information also includes any item specifically designated as a Trade Secret that is ultimately determined under applicable law not to constitute a trade secret but that otherwise meets the definition of Confidential Information. Recipient acknowledges that the Company’s operating processes and procedures, training materials, and the information contained in the Company’s operations manual, is Confidential Information (except as the same may constitute a Trade Secret).

(b) As used herein, the term “Trade Secret” means information of the Company (including, but not limited to, confidential business information, recipes, ingredients, methods and techniques of food preparation, financial data, product plans, and lists of actual or potential customers or suppliers) that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. To the extent that applicable law mandates a definition of “trade secret” inconsistent with the foregoing definition, then the foregoing definition will be construed in such a manner as to be consistent with the mandated definition under applicable law.

2. CONFIDENTIALITY OBLIGATIONS.

(a) Commencing upon the Company's disclosure of Confidential Information and/or Trade Secrets to Recipient (or Recipient otherwise having access to such information), and for so long as Recipient is associated with the Franchise, Recipient shall not:

(i) use the Confidential Information or Trade Secrets of the Company, or permit such information to be accessed or used, for any purpose other than the operation of the Franchise; and

(ii) disclose or transfer to any third-party any of the Company's Confidential Information or Trade Secrets except to such of Recipient's employees, agents and representatives who must have access to it in connection with the operation of the Franchise and who are bound by obligations of confidentiality no less restrictive than those applicable to Recipient in this Agreement.

(b) Commencing upon Recipient's disassociation with the Franchise, Recipient shall not, without the express prior written consent of the Company, disclose or transfer to any third-party, or use or modify for use, directly or indirectly, in any way for any third-party:

(i) any Confidential Information of the Company for a period of two (2) years; and

(ii) any of the Trade Secrets of the Company for so long as such information constitutes a Trade Secret.

3. EFFORTS; SURVIVAL OF OBLIGATIONS. Recipient shall use no less than commercially reasonable efforts to maintain the confidentiality of all Confidential Information and Trade Secrets. The restrictions and obligations of this Agreement will survive any termination or cancellation of this Agreement and will continue to bind Recipient and Recipient's heirs, successors and assigns in perpetuity. For purposes of this Agreement, Recipient shall be deemed to be associated with the Franchise for so long as Recipient, directly or indirectly, in whole or in part, owns, finances, advises, manages or operates, or is employed by, Franchisee or the Franchise.

4. NO TRANSFER OF RIGHTS, TITLE OR INTEREST. The Company hereby retains its entire right, title and interest, including all intellectual property rights, in and to all Confidential Information and Trade Secrets. Any disclosure of such Confidential Information or Trade Secrets hereunder will not be construed as an assignment, grant, option, license or other transfer of any such right, title or interest whatsoever to Recipient.

5. APPLICABLE LAW. This Agreement will be construed and enforced in accordance with the laws of the State of North Carolina.

6. INJUNCTIVE RELIEF AVAILABLE. Recipient acknowledges that money damages might not be a sufficient remedy for any breach or threatened breach of this Agreement by Recipient. Therefore, in addition to all other remedies available at law (which the Company does not waive by the exercise of any rights hereunder), the Company is entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach, and Recipient hereby waives any requirement for the securing or posting of any bond or the showing of actual monetary damages in connection with such claim.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Confidentiality Agreement to be duly executed and delivered as of the date first written above.

SALSARITA'S FRANCHISING, LLC

RECIPIENT

By: _____

Print Name

Name: _____

Signature

Title: _____

Or (if an entity)

Print Entity Name

By: _____

Name: _____

Title: _____

**EXHIBIT G
TO FRANCHISE AGREEMENT**

NON-COMPETE AGREEMENT

THIS NON-COMPETE AGREEMENT (this “Agreement”) is made and entered into as of the _____ day of _____, 20____ by and between Salsarita’s Franchising, LLC, a Mississippi limited liability company, (hereinafter referred to as the “Company”) and _____, whose address is _____ (hereinafter referred to as “Recipient”).

WITNESSETH THAT:

WHEREAS, the Company has developed a franchise system (the “System”) for the operation of SALSARITA’S® brand restaurants (“System Restaurants”), and owns certain confidential and proprietary information in connection with the System, including, among other things, recipes, ingredients, methods and techniques of food preparation, supplier relationships, the content of training programs, operating processes and procedures, and other valuable business information;

WHEREAS, the Company and _____ (“Franchisee”) have entered into a Franchise Agreement dated _____, 20____ (the “Franchise Agreement”; capitalized terms used but not otherwise defined in this Agreement have the meanings given in the Franchise Agreement) granting Franchisee the right to operate a System Restaurant, on and subject to the terms of the Franchise Agreement; and

WHEREAS, by virtue of Recipient’s association with the Franchise, Recipient may or will have access to the Company’s confidential and proprietary information or training and therefore has agreed to be bound to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. DEFINITIONS.

(a) As used herein, the term “Competitive Business” means any business enterprise which (i) operates a restaurant specializing in Mexican food or beverages, (ii) issues licenses or franchises to others the right to operate a restaurant specializing in Mexican food or beverages, or (iii) otherwise competes with the Company as the Company’s business may evolve over time.

2. COVENANTS NOT TO COMPETE.

(a) Recipient shall not, directly or indirectly: (i) during the term of the Franchise Agreement (or until Recipient is no longer associated with the Franchise, if sooner), own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business; and (ii) for one (1) year after expiration or termination of the Franchise Agreement (or after Recipient is no longer associated with the Franchise, if sooner), own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business that is located (A) at the Designated Location, (B) within the Protected Territory, (C) within the area defined in Exhibit C of the Franchise Agreement, or (D) within a five (5)-mile radius of any other System Restaurant in existence or in development at the time of such termination or expiration (or disassociation, if applicable). The radius

of any restrictive covenant set forth in this Section 2(a) shall be measured from the main entrance door of the System Restaurant.

(b) The covenants of Section 2(a) are not intended to prevent any individual from being able to procure gainful employment. Recipient acknowledges and agrees that the above-stated covenants are reasonable in terms of geographic scope, duration of time, and type of activity restrained and that these covenants do not impose greater restraints than are necessary to protect Salsarita's franchisees, the System, and the goodwill or other business interests of the Company. The one (1) year post-term covenants shall be tolled during any period of time Recipient is in violation of such post-term covenants such that the covenants shall be enforceable for a full one (1)-year period.

3. **EXCEPTION TO COVENANT NOT TO COMPETE.** Section 2(a) hereof shall not apply to ownership by Recipient of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

4. **COVENANTS ARE INDEPENDENT.** The parties agree that the foregoing covenant shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenant in Section 2 is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which the Company is a party, Recipient 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 resultant covenant were separately stated in and made a part of this Agreement.

5. **SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement will survive any termination or cancellation of this Agreement and will continue to bind Recipient and Recipient's heirs, successors and assigns. For purposes of this Agreement, Recipient shall be deemed to be associated with the Franchise for so long as Recipient, directly or indirectly, in whole or in part, owns, finances, advises, manages or operates, or is employed by, Franchisee or the Franchise.

8. **WARRANTIES OF RECIPIENT.** Recipient represents and warrants that it has read the Franchise Agreement and understanding the scope of the restrictions set forth in this Agreement.

9. **APPLICABLE LAW.** This Agreement will be construed and enforced in accordance with the laws of the State of North Carolina.

10. **INJUNCTIVE RELIEF AVAILABLE.** Recipient acknowledges that money damages might not be a sufficient remedy for any breach or threatened breach of this Agreement by Recipient. Therefore, in addition to all other remedies available at law (which the Company does not waive by the exercise of any rights hereunder), the Company is entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach, and Recipient hereby waives any requirement for the securing or posting of any bond or the showing of actual monetary damages in connection with such claim.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Non-Compete Agreement to be duly executed and delivered as of the date first written above.

SALSARITA'S FRANCHISING, LLC

RECIPIENT

By: _____

Print Name

Name: _____

Signature

Title: _____

Or (if an entity)

Print Entity Name

By: _____

Name: _____

Title: _____

EXHIBIT E

STATE-SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT

**HAWAII AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

HAWAII LAW MODIFICATIONS

1. The State Securities Commissioner of Hawaii requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, specifically the Hawaii Franchise Investment Law (Hawaii Rev. Stat. §§ 482E-, et seq.) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Section II.B.6 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following Section II.B.6:

"Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees, excluding only such claims arising under the Hawaii Franchise Investment Law (Hawaii Rev. Stat. §§ 482E-, et seq.)."

- b. The last sentence of Section XIX.B.2 of the Franchise Agreement, beginning with "Franchisor shall have the right..." and ending with "...other transfer of the Franchise." is hereby deleted in its entirety and replaced with the following sentence:

"Franchisor shall have the right to require Franchisee (and Owners) to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of assignment or other transfer of the Franchise, excluding only such claims arising under the Hawaii Franchise Investment Law (Hawaii Rev. Stat. §§ 482E-, et seq.)."

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

SALSARITA’S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____
(SEAL)

FRANCHISEE

(Name of Franchisee)

By: _____

Print Name: _____

Title: _____
(SEAL)

**ILLINOIS AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. Ch. 815 para. 705/1 - 705/44 (1994) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois law governs the Franchise Agreement.
- b. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
- c. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- e. 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.

2. Consistent with Section XIII.C of the Agreement, Franchisor has the right to require Franchisee to remodel and modernize the Restaurant once every five years to conform to Franchisor's then-current system image. Franchisee should expect to spend up to \$100,000 every five years for such remodel.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**MARYLAND AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Md. Code Ann., Bus. Reg. §§ 14-201 - 14-233 (1998 Repl. Vol. & Supp. 2002) and Md. Regs. Code tit. 02, § 02.02.08.00 – 02.02.08.18 (collectively, the "Codes"). To the extent that the Agreement contains provisions that are inconsistent with the Codes, such provisions are hereby amended:

- a. To the extent that the Agreement requires you to assent to a general release of claims, estoppel or waiver of liability, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Codes or a rule or order under the Codes, such instrument shall exclude claims arising under the Codes, and such release shall be void with respect to claims under the Codes. Further, all representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of liability incurred under the Codes.
- b. The Agreement requires you to bring any claim you have before the expiration of the earlier of: (i) 1 year after the date of discovery of the facts resulting in such liability or obligation, or (ii) 2 years after the date of the first act or omission giving rise to the alleged liability or obligation, except that where state or federal law mandate or make possible by notice or otherwise a shorter period, such shorter period shall apply. The Codes provide that Franchisee must bring any claims under the Codes within 3 years from the grant of the franchise, which period shall apply for claims under such Codes.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of Maryland, the requirement shall not be interpreted to limit any rights you may have under the Codes to bring suit in the state of Maryland.
- d. This Agreement is amended to reflect that any claims arising under the Codes must be brought within 3 years after grant of a Franchised Business.
- e. 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.
- f. Sections XXVI.C, D and E of the Agreement are hereby deleted in their entirety.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

SALSARITA'S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____
(SEAL)

FRANCHISEE

(Name of Franchisee)

By: _____

Print Name: _____

Title: _____
(SEAL)

**MINNESOTA AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 *et seq.*, and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims that the Franchisees' use of the Proprietary Marks infringes trademark rights of the third party. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be enforceable only to the extent that such provisions do not conflict with the Franchise Act's requirements.
- b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be enforceable only to the extent that such provisions do not conflict with the Franchise Act's requirements.
- c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be enforceable only to the extent that such provisions do not conflict with the Franchise Act's requirements.
- d. If the Agreement requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.
- e. If the Agreement requires that it be governed by a state's law, other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

- f. To the extent Minnesota Rule 2860.4400J. prohibits a franchisor from requiring You to consent to Franchisor obtaining injunctive relief, the Agreement is hereby revised to reflect that Franchisor may seek injunctive relief and that whether any bond be necessary be determined by the court.
- g. Section 80C.17 of the Franchise Act provides that no action may be commenced pursuant to that section more than 3 years after the cause of action accrues. No provision in the Agreement shall be construed to limit the time period for You to bring a claim under the Franchise Act.
- h. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside of Minnesota. Nothing in the Agreement can abrogate or reduce any rights as provided for in Minnesota Statutes, Chapter 80C or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. In addition, in accordance with Minn. Rule 2860J, notwithstanding anything in the Agreement to the contrary, Franchisee is not required to waive its rights to a jury trial or waive rights to any procedure, forum or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties or judgment notes, with the exception of consent to exclusive arbitration (if the Agreement so provides).

2. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, the Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA'S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**NEW YORK AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA'S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**NORTH DAKOTA AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including Section 51-19-09 of the North Dakota Franchise Investment Law (the "Law"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Section XVIII of the Agreement is subject North Dakota statute NDCC Section 9-08-06.
- b. Notwithstanding anything in the Agreement to the contrary, nothing in the Agreement shall require Franchisee to consent to the jurisdiction of court outside of North Dakota.
- c. The Franchise Agreement is amended to state that the liquidated damages provision of Section XVI.A.1. is unenforceable.
- d. Notwithstanding anything in the Agreement to the contrary, in the event of a conflict of law, North Dakota law will control.
- e. Section XXII.D. of the Agreement is deleted in its entirety and replaced with the following Section XXII.D.: **"Franchisee and Franchisor waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits."**
- f. Any general release that Franchisee is required to sign upon renewal of the Agreement shall exclude the release of claims under the Law.
- g. The Agreement is amended to state that the statute of limitations under North Dakota law will apply.
- h. Notwithstanding anything in the Agreement to the contrary, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA'S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**RHODE ISLAND AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34 (the "Act"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, such requirements are void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If the Agreement requires that it be governed by a state's law other than the State of Rhode Island, such requirements are void to the extent that such law conflicts with Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act pursuant to Sec. 19-28.1-15.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**WASHINGTON AMENDMENT
TO FRANCHISE AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

WASHINGTON LAW MODIFICATIONS

1. The Washington Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940 (the "Act"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. In the event of a conflict of laws, the provisions of the Act shall prevail.
- b. If Franchisee is required to sign a general release under the Agreement, such release or waiver of rights signed by Franchisee shall not include rights under the Washington Franchise Investment Protection Act except when signed under a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
- c. The sentence in Section XIX.B.2. of the Agreement beginning with "Franchisor shall not charge..." and ending with "...of any existing franchisee." shall be deleted in its entirety and replaced with the following sentence: "Franchisor shall not charge such assignee an Initial Franchise Fee for the Franchise, but will charge a transfer fee equal to thirty percent (30%) of the then-current Initial Franchise Fee charged by Franchisor in its then-current Franchise Agreement plus the amount of any training fees, which represents a reasonable estimated cost in effecting the transfer.
- d. To the extent that any provision of the Agreement conflicts with Section 19.100.180 of the Act, Section 19.100.180 will control.
- e. In any arbitration or mediation arising under or related to this Agreement, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Agreement, Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any

such provisions contained in the Agreement or elsewhere are void and unenforceable in Washington.

- h. Paragraphs C, D and E of Section XXVI of the Agreement are hereby deleted in their entirety.
- i. 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.

2. Each provision of this Washington amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this Amendment.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

EXHIBIT F

AREA DEVELOPMENT AGREEMENT



AREA DEVELOPMENT AGREEMENT

- between -

Salsarita's Franchising, LLC

- and -

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SALSARITA’S FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

Developer’s Name: _____
Street: _____
City: _____ State: _____ Zip Code: _____
Effective Date of Agreement: _____

THIS AGREEMENT is made by and between **SALSARITA’S FRANCHISING, LLC**, a Mississippi limited liability company authorized to transact business in North Carolina (the “**Franchisor**”), and the person(s) listed above (“**Developer**”) as of the Effective Date to evidence the agreement and understandings between the parties as follows:

WHEREAS, Franchisor desires to grant to Developer the exclusive right to open and operate a specified number of SALSARITA’S® franchises (“**Restaurants**” or “**Franchises**”) within an exclusive development area that operate under the SALSARITA’S® mark and other service marks, trademarks, associated designs, artwork and logos as set forth on **Exhibit A** attached hereto (all such marks, and all other marks, trade names, logos, art work and designs, whether now existing or hereafter incorporated into Salsarita’s system, shall be collectively referred to herein as the “**Proprietary Marks**”); and

WHEREAS, Developer desires to establish and operate Franchises upon the terms and conditions contained in this Agreement and Franchisor’s standard franchise agreements (any franchise agreements entered into between Developer (including any affiliate of Developer) and Franchisor shall be referred to herein as “**Franchise Agreements**”).

NOW THEREFORE, in consideration of the mutual covenants contained herein and other valuable considerations, subject to the terms and conditions hereof, it is mutually agreed between the parties as follows:

I. EXCLUSIVE DEVELOPMENT AREA; DEVELOPMENT SCHEDULE

- A.** Subject to the terms and conditions herein contained, Franchisor hereby grants to Developer the exclusive right (the “**License**”) to open and operate a specified number of Restaurants in the area specified on **Exhibit B** attached hereto (the “**Development Area**”). Developer hereby accepts the License and agrees to open and operate Franchises in accordance with the development schedule set forth on **Exhibit B** (the “**Development Schedule**”) during the Term (as defined in **Section II**). The fees payable under each Franchise Agreement shall be paid in accordance with the terms of such Franchise Agreement, subject to the provisions of **Section III**.
- B.** “**Open**” as used herein shall consist of (i) the execution by Developer and Franchisor of the then current Franchise Agreement and payment of all fees owed thereunder; (ii) Developer has entered into a lease, sublease or purchase agreement for the Restaurant location; (iii) Developer has obtained all required licensing by state or local authorities; and (iv) the Restaurant is in fact open for business to the general public.
- C.** Except as provided in this **Section I(C)**, prior to the expiration or any earlier termination of this Agreement, so long as Developer shall open and operate Franchises in accordance with the Development Schedule and provided that the number of Franchises open and operating within the Development Area is not less than the minimum number to be developed within the Development Area at any applicable time, then Franchisor shall not, nor shall Franchisor permit any of its affiliates to, nor shall Franchisor license any person

other than Developer to, operate a Restaurant within the Development Area using the Proprietary Marks. Except as provided in the preceding sentence, Developer has no exclusive territorial rights, development area or other right to exclude, control or impose conditions on the location or development of other or future Franchisor and affiliate-owned businesses and franchises under the Proprietary Marks or on Franchisor's business activities. Franchisor and its affiliates may establish Restaurants and grant licenses to third parties for Restaurants outside of the Development Area, and Developer has no right to restrict or control the development of such Restaurants. Franchisor may offer and sell franchises and establish Franchisor and affiliate-owned units that sell similar products or may allow others to sell similar products under marks other than the Proprietary Marks at any location. In addition, Franchisor reserves the right, on its own or through an affiliate, or through its franchisees, to develop non-traditional locations under the Proprietary Marks in airports, stadiums, educational institutions (including colleges & universities), bus stations, factories, federal, state or local government facility (including military bases), hospitals and other health-care facilities, recreations facilities, schools, warehouse clubs, seasonal facilities, casinos, theaters, museums, theme parks, train stations, enclosed regional shopping malls, lifestyle centers and workplace cafeterias both inside and outside of the Development Area. Franchisor and its affiliates may also sell various menu items and products identified by the Proprietary Marks within the Development Area through supermarkets, by mail, the Internet or other similar means of distribution merchandise and to distribute products identified by the Proprietary Marks in the Development Area through any method or channel of distribution.

- D.** So long as Developer is in full compliance with this Agreement and all other agreements with Franchisor, Franchisor shall invite Developer to attend (at Developer's expense) all conventions, seminars and franchisee-oriented functions, if any, which Franchisor from time to time plan and sponsor and which are applicable to Developer. Attendance at such conventions, seminars and other franchisee-oriented functions shall be mandatory; provided that Franchisor shall not require Developer to travel to attend more than four such conventions, seminars and other franchisee-oriented functions in any calendar year.
- E.** Developer shall, upon Franchisor's request, submit to Franchisor, prior to each October 15th after Developer commences its development activities, a business plan for the on-going financing and pursuit of its development activities, in a form satisfactory to Franchisor.

II. TERM

Unless earlier terminated as hereinafter provided, this Agreement shall commence on the Effective Date and expire at midnight on the date set forth in Exhibit B as the date by which the final Restaurant on the Development Schedule must be opened (the "**Term**").

III. AREA DEVELOPMENT FEE; INITIAL FRANCHISE FEES

- A.** Upon execution of this Agreement, Developer shall pay to Franchisor the development fee specified in **Exhibit B** attached hereto (the "**Development Fee**"). Notwithstanding anything to the contrary contained in any Franchise Agreement, the Development Fee shall be deemed non-refundable and shall be fully earned by Franchisor upon execution of this Agreement in consideration of administrative and other expenses incurred by Franchisor and for development opportunities that have been lost or deferred as a result of the rights granted to Developer herein.
- B.** Notwithstanding anything contained in any Franchise Agreement to the contrary, the Initial Franchise Fee (as defined in each Franchise Agreement) for Franchises to be

opened in the Development Area during the Term of this Agreement is specified on **Exhibit B** (the “**Initial Franchise Fees**”). A portion of the Development Fee may be applied against the Initial Franchise Fees as indicated on **Exhibit B**.

- C. For avoidance of doubt, nothing in this **Section III** shall affect any Initial Franchise Fee owed to Franchisor by Developer in connection with any Franchise that shall not be located within the Development Area.
- D. Concurrent with the execution of this Area Development Agreement, Developer shall execute the first of the Franchise Agreements contemplated herein. The Initial Franchise Fee, as defined in the Franchise Agreement is due upon execution and may have a portion of the Area Development fee applied against it as indicated in Exhibit B.

IV. RESTAURANT CLOSINGS

If a Restaurant is destroyed or damaged by any cause beyond the control of Developer such that it may no longer continue to be open for the operation of business, Developer shall immediately give notice of such destruction or damage to Franchisor. Developer shall diligently work to repair and restore the same to the then approved plans and specifications of Franchisor as soon as possible at the same location, or at a substitute site approved by Franchisor within the Development Area, but not later than one hundred and eighty (180) days after said occurrence. Under the above circumstances, such closed premises shall continue to be deemed a “Restaurant in operation” for the purpose of this Agreement. If a Restaurant is closed in a manner other than those described in this **Section IV** or as otherwise agreed in writing by Franchisor, then Franchisor may exercise its termination rights as set forth in **Section VI** hereof.

V. CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Developer Shall Learn Proprietary Matters

Developer acknowledges that Developer will obtain knowledge of proprietary matters, techniques and business procedures of Franchisor that are necessary and essential to the operation of Salsarita’s Restaurants, without which information Developer could not effectively and efficiently operate such businesses, including, without limitation, knowledge regarding the Salsarita’s system, marketing techniques, financial controls, training and usage of Franchisor’s operations manual (the “**Manual**”). Developer further acknowledges that such proprietary information was not known to Developer prior to execution of this Agreement and that the methods of Franchisor are unique and novel to the Salsarita’s system. As used herein, “**Proprietary Information**” shall mean confidential information concerning:

1. Persons or other entities which are, have been or become Salsarita’s franchisees and any investors therein;
2. Persons or other entities which are, have been or become customers of Restaurants;
3. The terms of and negotiations relating to past or current Franchise Agreements or Area Development Agreements with respect to the Salsarita’s system;
4. The operating procedures of the Salsarita’s system, including, without limitation, distinctive management, bookkeeping and accounting systems and procedures; advertising, promotional and marketing methods; personnel hiring and training procedures; the manufacturers, suppliers and uses of equipment; and lists of vendors and suppliers;

5. The economic and financial characteristics of the Salsarita's system and its franchisees, including, without limitation, pricing policies and schedules, profitability, earnings and losses, and capital and debt structures;
6. The services and products offered to customers of the Restaurant(s) including, without limitation, the scope of such products and services; and
7. All documentation of the information listed in **Sections V(A)(1) through V(A)(6)** hereof, including, without limitation, the Manual.

During the term of this Agreement and for a period of two (2) years following the expiration or termination of this Agreement, Developer shall not, without the prior written consent of Franchisor, (i) divulge, directly or indirectly, any Proprietary Information to any third-party or (ii) use any Proprietary Information for any purpose other than the performance of its rights and obligations under this Agreement or any Franchise Agreement. Notwithstanding anything herein to the contrary, Developer agrees not to divulge, directly or indirectly, any Proprietary Information to the extent that, and for so long as, such Proprietary Information constitutes a trade secret of Franchisor under applicable law. Developer shall use no less than commercially reasonable efforts to maintain the confidentiality of all Proprietary Information.

B. Injunctive Relief Available to Franchisor

Developer acknowledges that any failure to comply with the requirements of this **Section V** shall cause Franchisor irreparable injury, and Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. Developer agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violations of, requirements of this **Section V**. The foregoing remedies shall be in addition to any other legal or equitable remedies which Franchisor may possess.

C. Developer's Employees Will Not Disclose Proprietary Information

Developer may disclose Proprietary Information only to such of its employees, agents and representatives who must have access to it in order for Developer to perform its rights and obligations under this Agreement or any Franchise Agreement and who are bound by obligations of confidentiality no less restrictive than those applicable to Developer in this Agreement. Developer shall be responsible for any unauthorized use or disclosure of Proprietary Information by Developer's employees, agents or representatives.

VI. TERMINATION

- A.** Any one or more of the following constitutes an event of default hereunder (an "**Event of Default**"):
1. Developer fails to open and operate Franchises in accordance with this Agreement including, without limitation, the failure to timely execute a Franchise Agreement and pay any fee owed thereunder;
 2. Developer fails to pay the Development Fee by the applicable due date;
 3. An event of default occurs under the terms and conditions of any other agreement between Franchisor (or any of its affiliates) and Developer (or any of its affiliates), including, but not limited to, any other Area Development Agreement

or any Franchise Agreement or Area Representative Agreement, and such event of default provides Franchisor with the right to terminate such agreement;

4. Developer has made a material misrepresentation on its application to enter into this Agreement;
5. Developer discloses or divulges the contents of the Manual or any other Proprietary Information to any third party;
6. Developer engages in any activity that has a materially adverse effect on Franchisor and/or the Proprietary Marks;
7. Developer engages in any Transfer that requires Franchisor's prior written approval without Developer having obtained such prior written approval;
8. Developer commits three or more breaches of this Agreement within any twelve (12)-month period, whether or not Developer cures any or all of such breaches; such breaches need not be of the same provision of this Agreement; or
9. Developer admits its inability to pay its obligations as they become due or files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against it, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Developer or any Restaurant, or the claims of creditors of Developer or the Restaurant are abated or subject to moratorium under any laws.

B. Franchisor's Remedies. If any Event of Default occurs under **Section VI(A)**, Franchisor may declare this Agreement and any and all other rights granted to Developer hereunder to be immediately terminated and of no further force or effect as follows:

1. Upon termination due solely to Developer's failure to open and operate Franchises in accordance with the Development Schedule, Franchisor's sole remedy hereunder resulting from such failure shall be the termination of this Agreement and the receipt of the full amount of the Development Fee due hereunder by Developer to Franchisor upon execution of this Agreement, including any installment payment outstanding at the time of termination (if applicable), subject to **Section VI(C)** below. Failure of Developer to open and thereafter operate Franchises as required under this Agreement shall not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement.
2. Upon termination of this Agreement for any other reason whatsoever, Developer shall not be relieved of any of its obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities which have accrued prior to such termination. The right of termination granted by this **Section VI(B)** is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity or otherwise.

C. Rights and Obligations of Developer Upon Termination or Expiration. Upon termination or expiration of this Agreement for any reason, Developer shall be required:

1. To pay Franchisor within fifteen (15) days after the effective date of termination of this Agreement, or such later date that the amounts due to Franchisor are determined, such fees, amounts owed for purchases by Developer from Franchisor or its affiliates, interest due on any of the foregoing, and all other amounts owed to Franchisor or its affiliates which are then unpaid;
2. To immediately return all Proprietary Information (including all copies of the Manual) and cease using any advertising, products, procedures and techniques associated with Franchisor and the Proprietary Marks, unless Developer has the right to continue using such Proprietary Information, advertising, products, procedures and techniques pursuant to a valid Franchise Agreement with Franchisor.
3. To furnish Franchisor, within thirty (30) days after the effective date of termination or expiration, as applicable, with evidence satisfactory to Franchisor, of Developer's compliance with the foregoing obligations.

D. Continuing Obligations. All obligations of Franchisor and Developer under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

VII. COVENANTS

A. Competitive Business. The term “**Competitive Business**” means any business enterprise which (i) operates a restaurant specializing in Mexican food or beverages, (ii) issues licenses or franchises to others the right to operate a restaurant specializing in Mexican food or beverages, or (iii) otherwise competes with Franchisor as Franchisor's business may evolve over time.

B. Covenant Not to Compete.

1. Developer shall not, directly or indirectly (including, without limitation, through any subsidiary): (a) during the term of this Agreement, own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business; and (b) for one (1) year after expiration or termination of this Agreement, own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business that is located (i) at any “Designated Location” as defined in any Franchise Agreement entered into pursuant to this Agreement as of the date of expiration or termination of this Agreement, (ii) within any geographic area covered by a post-term non-compete obligation in any Franchise Agreement entered into pursuant to this Agreement as of the date of expiration or termination of this Agreement, (iii) within the Development Area, or (iv) within a five (5)-mile radius of any other Salsarita's Restaurant in existence or in development at the time of such termination or expiration. The radius of any restrictive covenant set forth in this **Section XVII.B.1.** shall be measured from the main entrance door of the Restaurant.
2. Developer shall not, during the term of this Agreement and for one (1) year after expiration or termination of this Agreement, directly or indirectly (including, without limitation, through any subsidiary): (a) divert, or attempt to divert, any business or customer of any Salsarita's Restaurant to any Competitive Business;

and (b) seek to employ, and thereafter employ, any person who is employed, or at any time in the preceding 12-month period has been employed, by Franchisor or any affiliate of Franchisor, or otherwise induce or seek to induce any such person to leave his or her employment. In the event of a breach of **Section XVII.B.2.(b)** hereof, recognizing the amount of time, effort and money necessary to find and develop replacement personnel, and recognizing the difficulty of calculating the exact amount of damages for such breach, Franchisee agrees, in addition to any and all other remedies available to Franchisor or its affiliate, to pay Franchisor or its affiliate, as applicable, as liquidated damages and not as a penalty, an amount equal to the employee's most recent annual salary set by Franchisor or its affiliate or, if an hourly employee, the employee's annualized salary calculated based on the employee's most recent pay rate set by Franchisor or its affiliate, a 40 hour work week, and 52 work weeks per year.

3. The covenants of this **Section VII.B** are not intended to prevent any individual from employment which does not directly contribute to competition against Franchisor or Salsarita's Restaurants. Developer acknowledges and agrees that the above-stated covenants are reasonable in terms of geographic scope, duration of time, and type of activity restrained and that these covenants do not impose greater restraints than are necessary to protect Salsarita's franchisees, the System, and the goodwill or other business interests of Franchisor. The one (1) year post-term covenants shall be tolled during any period of time Developer is in violation of such post-term covenants such that the covenants shall be enforceable for a full one (1)-year period.
- C. **Exception to Covenant Not to Compete.** **Section VII.B.** hereof shall not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.
 - D. **Covenants are Independent.** The parties agree that the foregoing covenant shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenant in this **Section VII** is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any 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 resultant covenant were separately stated in and made a part of this Agreement.
 - E. **Claims Are Not Defense to Covenants.** Developer expressly agrees that the existence of any claim 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 of this Agreement. Developer further agrees that Franchisor shall be entitled to set off any amount owed by Franchisor to Developer against any loss or damage to Franchisor resulting from Developer's breach of **Section VII.B.** of this Agreement.
 - F. **Injunctive Relief Available to Franchisor.** Developer acknowledges that any failure to comply with the requirements of **Section VII** of this Agreement shall cause Franchisor irreparable injury for which no adequate remedy at law may be available, and Developer hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Developer in violation of the terms of **Section VII** of this Agreement. Franchisor may further avail itself of any legal or equitable rights and remedies which it may have under this Agreement or otherwise.

VIII. ASSIGNMENT

- A. **Assignment by Franchisor.** This Agreement grants Franchisor the right to freely transfer or assign all or part of its rights or obligations under this Agreement to any assignee or other legal successor to the interests of Franchisor without Developer's consent.
- B. **Assignment by Developer.**
1. This Agreement is personal to Developer and, if Developer is a business entity, Developer's Owners (as defined in **Section XII.A** below) and Franchisor has entered into this Agreement in reliance on the business skill, financial capacity and personal character of Developer and Owners. Accordingly, except as otherwise provided herein, neither Developer nor any successor to any part of Developer's interest in this Agreement nor any Owner may make any Transfer or permit any Transfer to occur without obtaining Franchisor's prior written consent. Any purported Transfer, without the prior written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement. For purposes of this **Section VIII.B**, "Transfer" means any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any direct or indirect interest in Developer (if Developer is a business entity), this Agreement, the License granted hereunder or any other assets relating to Developer's operations under this Agreement.
 2. Franchisor shall not unreasonably withhold its consent to a Transfer; however, Franchisor, as a condition of any Transfer, may require that Developer also Transfer, to the proposed transferee, Developer's interest in all Franchise Agreements entered into pursuant to this Agreement. The decision as to whether or not to consent to a proposed Transfer shall be made by Franchisor in its sole discretion and shall include numerous factors deemed relevant by Franchisor. These factors may include, but will not be limited to, the following:
 - a) transferee demonstrates to Franchisor's satisfaction that it or its owners meet Franchisor's educational, financial, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to operate the License; have adequate financial resources and capital to manage the License; and are not engaged in, and have no affiliation with any person engaged in, a competing business;
 - b) Developer agrees to remain liable for all of the obligations to Franchisor in connection with the License arising prior to the effective date of the Transfer, and execute any and all instruments reasonably requested by Franchisor to evidence such liability;
 - c) transferee signs the then-current form of Franchisor's Area Development Agreement, which may contain provisions that materially alter the rights or obligations of Developer under this Agreement; and
 - d) all of Developer's accrued monetary obligations to Franchisor are satisfied.

Franchisor shall not charge such assignee a Development Fee, but will charge a transfer fee not to exceed \$10,000 for each Restaurant remaining to be developed. Any such

transfer fee under this Agreement is in addition to any transfer fees paid under the Franchise Agreements. Franchisor shall also have the right to require Developer (and Owners) to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of a Transfer.

- C. Franchisor's Right of First Refusal.** If any party holding any direct or indirect interest in Developer or in this Agreement receives a bona fide offer (as determined by Franchisor in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require Franchisor's consent, it shall notify Franchisor in writing of the terms of the proposed Transfer, and shall provide such information and documentation relating to the proposed Transfer as Franchisor may reasonably require. For a period of thirty (30) days from the date of Franchisor's or Owners' receipt of such offer, Franchisor shall have the right, exercisable by written notice to Developer (or Owners), to purchase the interest proposed to be sold, for the price and on the same terms and conditions contained in such offer, provided that Franchisor may substitute cash for any other form of payment proposed in such offer. If Franchisor does not exercise its right of first refusal, the bona fide written offer may be accepted by Developer (or Owners) but only upon the same terms and conditions proposed to Franchisor, and subject to the prior written approval of Franchisor, as provided in this Agreement.
- D. Transfer Upon Death or Mental Incapacity.** Upon the death or mental incapacity of any person with an interest in Developer, the executor, administrator, or personal representative of that person must Transfer his or her interest to a third party approved by Franchisor within three (3) months after death or mental incapacity. These Transfers, including, without limitation, Transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos Transfer. However, in the case of a Transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions contained in this Agreement, the personal representative of the deceased Developer shall have a reasonable time in the sole discretion of Franchisor, to dispose of the deceased's interest in the Restaurant which disposition will be subject to all the terms and conditions for Transfer contained in this Agreement. If the interest is not disposed of within a reasonable time (as determined by Franchisor in its sole discretion), Franchisor may terminate this Agreement.

IX. ENFORCEMENT

- A. Governing Law.** This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to conflicts of laws principles. Nothing in this Section is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.
- B. Forum.** The parties agree that, to the extent any disputes cannot be resolved directly between them, Developer shall file any suit against Franchisor only in the federal or state court having jurisdiction where Franchisor's principal offices are located at the time suit is filed. Franchisor may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Developer resides or does business or where the Development Area is or was located or where the claim arose. Developer consents to the personal jurisdiction of those courts over Developer and to venue in those courts.

- C. **Limitations.** Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to Developer) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.
- D. **Waivers.** Developer and Franchisor waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between them, each shall be limited to the recovery of actual damages sustained by it. **Developer and Franchisor waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.**
- E. **Attorneys' Fees.** If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost 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, the proceeding. If Franchisor utilizes legal counsel (including in-house counsel employed by Franchisor) in connection with any failure by Developer to comply with this Agreement, Developer shall reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.
- F. **Severability and Substitution of Valid Provisions.** All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.
- G. **Developer May Not Withhold Payments Due Franchisor.** Developer agrees that he or she shall not withhold payments owed to Franchisor for any reason including, but not limited to, on grounds of alleged nonperformance by Franchisor of any obligation hereunder.
- H. **Rights of Parties Are Cumulative.** The rights of Franchisor and Developer hereunder are cumulative, and the exercise or enforcement by Franchisor or Developer of any right or remedy hereunder shall not preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder which Franchisor or Developer is entitled by law to enforce.
- I. **Binding Effect.** This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

J. Construction.

1. The headings of the sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs.
2. The term “**Developer**” as used herein is applicable to one or more persons or an entity, as the case may be; the singular usage includes the plural; and the masculine and neuter usages include the other and feminine.
3. In the event of conflict between this Agreement and the Franchise Agreement for a particular Restaurant developed under this Agreement, the Franchise Agreement for such particular Restaurant shall control. In the event of a conflict between this Agreement and any Exhibit attached hereto, such Exhibit shall control. All Exhibits attached hereto are hereby incorporated herein by this reference.
4. Time is of the essence with respect to Developer’s agreement to execute Franchise Agreements and commence operations at the Franchises in accordance with requirements of this Agreement.

K. Modification. This instrument contains the entire agreement between the parties relating to the subject matter hereof. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Developer.

X. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- A. **No Fiduciary Relationship.** It is understood and agreed by the parties hereto that this Agreement does not establish 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, joint employer or servant of the other for any purpose whatsoever.
- B. **Developer is an Independent Contractor.** During the term of this Agreement, and any successor terms or extensions hereof, Developer shall hold itself out to the public as an independent contractor operating its business pursuant to an Area Development Agreement with Franchisor. Developer agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact, the content and display of which Franchisor shall have the right to specify.
- C. **Franchisor Not Liable for Acts of Developer.** Developer understands and agrees 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, or by reason of any act, error or omission of Developer in its conduct of the Restaurant’s business, or any claim or judgment arising therefrom against Franchisor. Developer shall indemnify and hold Franchisor, its affiliates and their respective officers, directors, shareholders, employees and agents (the “**Indemnified Parties**”) harmless against any and all liabilities, claims, actions, losses, damages and expenses, including reasonable attorney’s fees, (“**Liabilities**”) arising out of or relating to any act, error or omission of Developer, or Developer’s Owners, directors, officers, employees and agents, in connection with the

performance or non-performance of Developer's obligations hereunder or the establishment or operation of the Restaurant(s). This **Section X.C.** will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

D. Developer Authorizes Franchisor to Contact Lessors, Vendors and Creditors.

Developer hereby authorizes Franchisor to contact Developer's lessors, vendors and creditors as Franchisor deems appropriate to address compliance and other issues related to the Restaurants and this Agreement, and Developer agrees that such lessors, vendors and creditors are authorized to disclose factual information regarding Developer's contracts, debts and other obligations to Franchisor.

XI. NOTICES

All written notices permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered: (1) three (3) business days after placed in the mail, by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at its most current principal address which the notifying party has on record; or (2) one (1) business day after given to a reputable overnight delivery service for overnight delivery and addressed to the party to be notified at its most current principal address which the notifying party has on record.

XII. BUSINESS ENTITY DEVELOPER

A. Ownership of Developer

If Developer is a business entity, the following requirements shall apply:

1. Developer represents and warrants that **Exhibit B** sets forth a complete and accurate list of all (i) legal and record owners of any and all stock, membership interests, partnership interests or other equity interests, as applicable ("**Equity Interests**"), in Developer and, to the extent required by Franchisor, a complete and accurate list of all direct and indirect beneficial owners of such Equity Interests in Developer and persons or entities who may otherwise have control over the management or decisions of Developer, directly or indirectly, by contract or otherwise (collectively, "**Owners**"), and their respective ownership holdings and percentages. Developer will promptly notify Franchisor if any of the ownership information set forth on **Exhibit B** changes at any time. Notwithstanding the foregoing, Developer acknowledges and agrees that changes in Equity Interests and Owners are subject to the provisions of **Section VIII**. Upon Franchisor's request, Developer shall execute addenda to **Exhibit B** as changes in ownership occur in order to ensure the information contained in **Exhibit B** is true, accurate and complete at all times.
2. Unless otherwise agreed in writing by Franchisor, Developer shall cause those certain Owners designated by Franchisor on **Exhibit B** to guarantee Developer's performance hereunder and to perform and discharge certain obligations under this Agreement by entering into the Payment and Performance Guarantee attached hereto.
3. Developer represents and warrants that it has caused all Owners to read and approve this Agreement, including any restrictions which this Agreement places upon their right to transfer their interests in Developer.

B. Developer to Obtain Covenants of Confidentiality and Non-Competition

Unless otherwise agreed in writing by Franchisor, Developer shall obtain and deliver to Franchisor executed covenants of confidentiality (in the form set forth as **Exhibit D**) and non-competition (in the form set forth as **Exhibit E**) from, (a) those Owners identified on Exhibit A as designated to sign such covenants, and (b) any other person or entity who, by virtue of such person's or entity's association with Developer, may or will receive or have access to Franchisor's training materials or other Proprietary Information.

XIII. AUTHORIZED OFFICERS.

Except for those officers specifically named on **Exhibit C** hereto, no other person or entity is authorized to act on behalf of Developer with respect to any right or obligation of Developer under this Agreement or other similar agreement between Developer and Franchisor. Developer agrees to update the authorized persons set forth on **Exhibit C** promptly following the cessation of such persons' authorization to act on behalf of Developer.

XIV. SPECIAL REPRESENTATIONS

Developer (and each Owner if Developer is a business entity) hereby represents as follows:

1. Developer acknowledges and agrees that Developer has received (i) Franchisor's then current franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) days prior to execution as required by such Trade Regulation Rule and (ii) a fully completed copy of this Agreement at least seven (7) days prior to execution as required by such Trade Regulation Rule.
2. That neither Developer, nor any Owner, nor any of their respective affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>). Further, Developer represents and warrants that neither it nor any Owner of their respective affiliates referred to above has violated, and Developer agrees not to violate and to cause each of them to refrain from violating, any law prohibiting corrupt business practices, money laundering or the aid or support of entities or individuals who conspire to commit acts of terror against any entity, individual or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ56/pdf/PLAW-107publ56.pdf>), U.S. Executive Order 13224 (text currently available at <http://www.state.gov/j/ct/rls/other/des/122570.htm>), or any similar law. The foregoing constitute continuing representations and warranties, and Developer shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.
3. That he or she has conducted an independent investigation of Salsarita's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success shall be largely dependent upon the ability of Developer as an independent business person. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not

received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.

4. Developer acknowledges having received, read, and understood this Agreement, including all Exhibits hereto; and Developer further acknowledges that Franchisor has accorded Developer ample time and opportunity to consult with advisors of his/her own choosing about the potential benefits and risks of entering into this Agreement.
5. Developer also acknowledges that prior to the date of this Agreement, no other agreement for the development of Salsarita's restaurants was entered into, no promises were made by Franchisor, and no funds were offered to or accepted by Franchisor.

[Signatures Begin on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date.

FRANCHISOR:

SALSARITA'S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

DEVELOPER:

[XXXX]

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

**EXHIBIT A
TO AREA DEVELOPMENT AGREEMENT**

Proprietary Marks

Registration Number	Description of Mark	Principal/ Supplemental Register	Registration Date
2,466,514	Salsarita's (typed)	Principal	July 3, 2001
5,331,137	Salsarita's Fresh Mexican Grill (stylized)	Principal	November 7, 2017
5,331,138	Salsarita's Fresh Mexican Grill (stylized)	Principal	November 7, 2017

**EXHIBIT B
TO
AREA DEVELOPMENT AGREEMENT**

1. **Development Area** (pursuant to Section I.A):

2. **Development Schedule** (pursuant to Section I.A): During the Term, Developer shall develop a minimum of _____ new Restaurants in the Development Area so that, as of each Opening Date listed below, Developer (and its affiliates) are operating at least the following cumulative number of Restaurants:

Number of Restaurants	Opening Date	Cumulative Number of Restaurants To Be Open and Operating by the Opening Date, Including the Restaurant To Be Established
1		
2		
3		
4		
5		

3. **Development Fee and Initial Franchise Fees** (pursuant to Section III)

The Development Fee is \$_____, and is payable upon execution of this Agreement. The Development Fee is credited towards the Initial Franchise Fee under each Franchise Agreement as specified below:

<u>Franchise</u>	<u>Initial Franchise Fee</u>	<u>Amount of Development Fee to be Applied Towards Initial Franchise Fee</u>
1		
2		
3		
4		

4. Owners (pursuant to Section XII):

Name	Percentage or Nature of Ownership Interest	Owner to execute Payment and Performance Guarantee	Owner to execute Confidentiality Agreement	Owner to execute Non-Compete Agreement
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No
		Yes / No	Yes / No	Yes / No

**EXHIBIT C
TO
AREA DEVELOPMENT AGREEMENT**

Certificate of Authorized Officers

The undersigned officer or officers, all duly appointed, qualified and acting officers of Developer, hereby do certify to Franchisor that the persons named below are: (1) the duly appointed or elected officers in the offices of Developer set forth opposite their respective names and (2) are authorized to act on behalf of Developer with respect to any right or obligation of Developer under any Franchise Agreement, Area Development Agreement, or other similar agreement between Developer and Franchisor:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Please attach additional signature sheets if more space is required.)

I, the undersigned, agree to update this Certificate if any information contained herein is no longer accurate.

Date: _____

Print Name: _____

Title: _____

Print Name: _____

Title: _____

**EXHIBIT D
TO AREA DEVELOPMENT AGREEMENT**

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this “Agreement”) is made and entered into as of the ____ day of _____, 20____ by and between Salsarita’s Franchising, LLC, a Mississippi limited liability company, (hereinafter referred to the “Company”) and _____, whose address is _____ (hereinafter referred to as “Recipient”).

WITNESSETH THAT:

WHEREAS, the Company has developed a franchise system (the “System”) for the operation of SALSARITA’S® brand restaurants (“System Restaurants”), and owns certain confidential and proprietary information in connection with the System, including, among other things, recipes, ingredients, methods and techniques of food preparation, supplier relationships, the content of training programs, operating processes and procedures, and other valuable business information;

WHEREAS, the Company and _____ (“Developer”) have entered into a Area Development Agreement dated _____, 20____ (the “Development Agreement”; capitalized terms used but not otherwise defined in this Agreement have the meanings given in the Development Agreement) granting Developer the right to develop System Restaurants, on and subject to the terms of the Development Agreement; and

WHEREAS, by virtue of Recipient’s association with Developer, Recipient may or will have access to the Company’s confidential and proprietary information or training and therefore has agreed to be bound to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. DEFINITIONS.

(a) As used herein, the term “Confidential Information” means all valuable and proprietary confidential information or data of the Company other than Trade Secrets (as defined below). Confidential Information also includes any item specifically designated as a Trade Secret that is ultimately determined under applicable law not to constitute a trade secret but that otherwise meets the definition of Confidential Information. Recipient acknowledges that the Company’s operating processes and procedures, training materials, and the information contained in the Company’s operations manual, is Confidential Information (except as the same may constitute a Trade Secret).

(b) As used herein, the term “Trade Secret” means information of the Company (including, but not limited to, confidential business information, recipes, ingredients, methods and techniques of food preparation, financial data, product plans, and lists of actual or potential customers or suppliers) that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. To the extent that applicable law mandates a definition of “trade secret” inconsistent with the foregoing definition, then the foregoing definition will be construed in such a manner as to be consistent with the mandated definition under applicable law.

2. CONFIDENTIALITY OBLIGATIONS.

(a) Commencing upon the Company's disclosure of Confidential Information and/or Trade Secrets to Recipient (or Recipient otherwise having access to such information), and for so long as Recipient is associated with Developer, Recipient shall not:

(i) use the Confidential Information or Trade Secrets of the Company, or permit such information to be accessed or used, for any purpose other than performing Developer's rights and obligations under the Development Agreement; and

(ii) disclose or transfer to any third-party any of the Company's Confidential Information or Trade Secrets except to such of Recipient's employees, agents and representatives who must have access to it in connection with the activities of Developer's under the Development Agreement and who are bound by obligations of confidentiality no less restrictive than those applicable to Recipient in this Agreement.

(b) Commencing upon Recipient's disassociation with Developer, Recipient shall not, without the express prior written consent of the Company, disclose or transfer to any third-party, or use or modify for use, directly or indirectly, in any way for any third-party:

(i) any Confidential Information of the Company for a period of two (2) years; and

(ii) any of the Trade Secrets of the Company for so long as such information constitutes a Trade Secret.

3. EFFORTS; SURVIVAL OF OBLIGATIONS. Franchisee shall use no less than commercially reasonable efforts to maintain the confidentiality of all Confidential Information and Trade Secrets. The restrictions and obligations of this Agreement will survive any termination or cancellation of this Agreement and will continue to bind Recipient and Recipient's heirs, successors and assigns in perpetuity. For purposes of this Agreement, Recipient shall be deemed to be associated with Developer for so long as Recipient, directly or indirectly, in whole or in part, owns, finances, advises, manages or operates, or is employed by, Developer or the activities of Developer under the Development Agreement.

4. NO TRANSFER OF RIGHTS, TITLE OR INTEREST. The Company hereby retains its entire right, title and interest, including all intellectual property rights, in and to all Confidential Information and Trade Secrets. Any disclosure of such Confidential Information or Trade Secrets hereunder will not be construed as an assignment, grant, option, license or other transfer of any such right, title or interest whatsoever to Recipient.

5. APPLICABLE LAW. This Agreement will be construed and enforced in accordance with the laws of the State of North Carolina.

6. INJUNCTIVE RELIEF AVAILABLE. Recipient acknowledges that money damages might not be a sufficient remedy for any breach or threatened breach of this Agreement by Recipient. Therefore, in addition to all other remedies available at law (which the Company does not waive by the exercise of any rights hereunder), the Company is entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach, and Recipient hereby waives any requirement for the securing or posting of any bond or the showing of actual monetary damages in connection with such claim.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Confidentiality Agreement to be duly executed and delivered as of the date first written above.

SALSARITA'S FRANCHISING, LLC

RECIPIENT

By: _____

Print Name

Name: _____

Signature

Title: _____

Or (if an entity)

Print Entity Name

By: _____

Name: _____

Title: _____

**EXHIBIT F
TO FRANCHISE AGREEMENT**

NON-COMPETE AGREEMENT

THIS NON-COMPETE AGREEMENT (this “Agreement”) is made and entered into as of the _____ day of _____, 20____ by and between Salsarita’s Franchising, LLC, a Mississippi limited liability company, (hereinafter referred to as the “Company”) and _____, whose address is _____ (hereinafter referred to as “Recipient”).

WITNESSETH THAT:

WHEREAS, the Company has developed a franchise system (the “System”) for the operation of SALSARITA’S® brand restaurants (“System Restaurants”), and owns certain confidential and proprietary information in connection with the System, including, among other things, recipes, ingredients, methods and techniques of food preparation, supplier relationships, the content of training programs, operating processes and procedures, and other valuable business information;

WHEREAS, the Company and _____ (“Developer”) have entered into a Area Development Agreement dated _____, 20____ (the “Development Agreement”; capitalized terms used but not otherwise defined in this Agreement have the meanings given in the Development Agreement) granting Developer the right to develop System Restaurants, on and subject to the terms of the Development Agreement; and

WHEREAS, by virtue of Recipient’s association with Developer, Recipient may or will have access to the Company’s confidential and proprietary information or training and therefore has agreed to be bound to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. DEFINITIONS.

(a) As used herein, the term “Competitive Business” means any business enterprise which (i) operates a restaurant specializing in Mexican food or beverages, (ii) issues licenses or franchises to others the right to operate a restaurant specializing in Mexican food or beverages, or (iii) otherwise competes with the Company as the Company’s business may evolve over time.

2. COVENANTS NOT TO COMPETE.

(a) Recipient shall not, directly or indirectly: (i) during the term of the Development Agreement (or until Recipient is no longer associated with Developer, if sooner), own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business; and (ii) for one (1) year after expiration or termination of the Franchise Agreement (or after Recipient is no longer associated with Developer, if sooner), own, manage, operate, maintain, advise, consult with, invest in, be employed by, franchise, license or engage in a Competitive Business that is located (A) at any “Designated Location” as defined in any Franchise Agreement entered into pursuant to the Development Agreement as of the date of expiration or termination of the Development Agreement, (B) within any geographic area covered by a post-term non-compete obligation in any Franchise

Agreement entered into pursuant to the Development Agreement as of the date of expiration or termination of the Development Agreement, (C) within the Development Area, or (D) within a five (5)-mile radius of any other System Restaurant in existence or in development at the time of such termination or expiration (or disassociation, if applicable). The radius of any restrictive covenant set forth in this Section 2(a) shall be measured from the main entrance door of the System Restaurant.

(b) The covenants of Section 2(a) are not intended to prevent any individual from being able to procure gainful employment. Recipient acknowledges and agrees that the above-stated covenants are reasonable in terms of geographic scope, duration of time, and type of activity restrained and that these covenants do not impose greater restraints than are necessary to protect Salsarita's franchisees, the System, and the goodwill or other business interests of the Company. The one (1) year post-term covenants shall be tolled during any period of time Recipient is in violation of such post-term covenants such that the covenants shall be enforceable for a full one (1)-year period.

3. **EXCEPTION TO COVENANT NOT TO COMPETE.** Section 2(a) hereof shall not apply to ownership by Recipient of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

4. **COVENANTS ARE INDEPENDENT.** The parties agree that the foregoing covenant shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenant in Section 2 is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which the Company is a party, Recipient 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 resultant covenant were separately stated in and made a part of this Agreement.

5. **SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement will survive any termination or cancellation of this Agreement and will continue to bind Recipient and Recipient's heirs, successors and assigns. For purposes of this Agreement, Recipient shall be deemed to be associated with Developer for so long as Recipient, directly or indirectly, in whole or in part, owns, finances, advises, manages or operates, or is employed by, Developer or the activities of Developer under the Development Agreement.

8. **WARRANTIES OF RECIPIENT.** Recipient represents and warrants that it has read the Development Agreement and understanding the scope of the restrictions set forth in this Agreement.

9. **APPLICABLE LAW.** This Agreement will be construed and enforced in accordance with the laws of the State of North Carolina.

10. **INJUNCTIVE RELIEF AVAILABLE.** Recipient acknowledges that money damages might not be a sufficient remedy for any breach or threatened breach of this Agreement by Recipient. Therefore, in addition to all other remedies available at law (which the Company does not waive by the exercise of any rights hereunder), the Company is entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach, and Recipient hereby waives any requirement for the securing or posting of any bond or the showing of actual monetary damages in connection with such claim.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Non-Compete Agreement to be duly executed and delivered as of the date first written above.

SALSARITA'S FRANCHISING, LLC

RECIPIENT

By: _____

Print Name

Name: _____

Signature

Title: _____

Or (if an entity)

Print Entity Name

By: _____

Name: _____

Title: _____

Payment and Performance Guarantee

In order to induce **SALSARITA'S FRANCHISING, LLC** ("**Franchisor**") to enter into a certain Area Development Agreement (such agreement, as may be amended, modified, restated, renewed or extended from time to time, the "**Area Development Agreement**") by and between Franchisor and the Developer named in the Area Development Agreement to which this Payment and Performance Guarantee (the "**Guarantee**") is attached, the undersigned (collectively referred to as the "**Guarantors**" and individually referred to as a "**Guarantor**") hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly, severally and unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Developer to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Area Development Agreement or otherwise, together with any extension, renewal or modification thereof in whole or in part (the "**Guaranteed Liabilities**"), and agree that if any of the Guaranteed Liabilities is not so paid or performed by Developer when due, the Guarantors shall immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes or controversies between Franchisor and Developer and of the settlement, compromise or adjustment thereof. This Guarantee is primary and not secondary, and shall be enforceable without Franchisor having to proceed first against Developer or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee shall be effective regardless of the insolvency of Developer by operation of law, any reorganization, merger or consolidation of Developer, or any change in the ownership of Developer.

3. Term; No Waiver. This Guarantee shall be irrevocable, absolute and unconditional and shall remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Developer to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude other further exercise of such right or any other right or remedy.

5. Enforcement. **Section IX** of the Area Development Agreement is hereby incorporated herein by reference and shall be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Developer" referred to therein.

6. Miscellaneous. This Guarantee shall remain in full force and effect with respect to any further amendment, modification, restatement, extension or renewal of or to the Area Development Agreement. This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

EXHIBIT G

STATE-SPECIFIC AMENDMENTS TO AREA DEVELOPMENT AGREEMENT

**HAWAII AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

HAWAII LAW MODIFICATIONS

1. The State Securities Commissioner of Hawaii requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, specifically the Hawaii Franchise Investment Law (Hawaii Rev. Stat. §§ 482E-, et seq.) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The sentence of Section VIII.B of the Agreement, beginning with "Franchisor shall also have the right..." and ending with "...its approval of a Transfer." is hereby deleted in its entirety and replaced with the following sentence:

"Franchisor shall also have the right to require Developer (and Owners) to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of a Transfer, excluding only such claims arising under the Hawaii Franchise Investment Law (Hawaii Rev. Stat. §§ 482E-, et seq.)."

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Area Development Agreement on the day and year first above written.

FRANCHISOR

SALSARITA’S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____
(SEAL)

FRANCHISEE

(Name of Franchisee)

By: _____

Print Name: _____

Title: _____
(SEAL)

**ILLINOIS AMENDMENT TO
AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. Ch. 815 para. 705/1 - 705/44 (1994) (the "Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois law governs the Franchise Agreement.
- b. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
- c. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- e. 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.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Area Development Agreement on the day and year first above written.

FRANCHISOR

SALSARITA’S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

(SEAL)

FRANCHISEE

(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

(SEAL)

**MARYLAND AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§ 14-201 - 14-233 (1998 Repl. Vol. & Supp. 2002) and Md. Regs. Code tit. 02, § 02.02.08.00 – 02.02.08.18 (collectively, the "Codes"). To the extent that the Agreement contains provisions that are inconsistent with the Codes, such provisions are hereby amended:

- a. If the Agreement requires litigation to be conducted in a forum other than the State of Maryland, the requirement shall not be interpreted to limit any rights you may have under the Codes to bring suit in the state of Maryland.
- b. This Agreement is amended to reflect that any claims arising under the Codes must be brought within 3 years after grant of a Franchised Business.
- c. 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.
- d. Sections XIV.3, 4 and 5 of the Agreement are hereby deleted in their entirety.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Area Development Agreement on the day and year first above written.

FRANCHISOR

SALSARITA’S FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

(SEAL)

FRANCHISEE

(Name of Franchisee)

By: _____

Print Name: _____

Title: _____

(SEAL)

**MINNESOTA AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Agreement requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.
- b. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with such requirement of the Franchise Act, the provisions of the Agreement shall be enforceable only to the extent that such provisions do not conflict with the Franchise Act's requirements.
- c. If the Agreement requires that it be governed by a state's law, other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- d. To the extent Minnesota Rule 2860.4400J. prohibits a franchisor from requiring You to consent to Franchisor obtaining injunctive relief, the Agreement is hereby revised to reflect that Franchisor may seek injunctive relief and that whether any bond be necessary be determined by the court.
- e. Section 80C.17 of the Franchise Act provides that no action may be commenced pursuant to that section more than 3 years after the cause of action accrues. No provision in the Agreement shall be construed to limit the time period for You to bring a claim under the Franchise Act.
- f. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside of Minnesota. Nothing in the Agreement can abrogate or reduce any rights as provided for in Minnesota Statutes, Chapter 80C or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. In addition, in accordance with Minn. Rule 2860J, notwithstanding anything in the Agreement to the contrary, Franchisee is not required to waive its rights to a jury trial or waive rights to any procedure, forum or remedies provided for by the laws of Minnesota.

2. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Area Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Area Development Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

(SEAL)

(SEAL)

**NEW YORK AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989) (the "Franchise Law"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Law, or any regulation, rule or order promulgated thereunder, such release shall exclude claims arising under the Franchise Law and such acknowledgments shall be void with respect to claims arising under the Franchise Law. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the Franchise Law be satisfied.
- b. If the Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon Franchisee under the Franchise Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Area Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

(SEAL)

(SEAL)

**NORTH DAKOTA AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Franchise Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including Section 51-19-09 of the North Dakota Franchise Investment Law (the "Law"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Notwithstanding anything in the Agreement to the contrary, nothing in the Agreement shall require Franchisee to consent to the jurisdiction of court outside of North Dakota.
- b. Notwithstanding anything in the Agreement to the contrary, in the event of a conflict of law, North Dakota law will control.
- c. Section IX.D. of the Agreement is deleted in its entirety and replaced with the following Section IX.D.: **"Developer and Franchisor waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits."**
- d. Any general release that Franchisee is required to sign upon renewal of the Agreement shall exclude the release of claims under the Law.
- e. The Agreement is amended to state that the statute of limitations under North Dakota law will apply.
- f. Notwithstanding anything in the Agreement to the contrary, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Franchise Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**RHODE ISLAND AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, such requirements are void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If the Agreement requires that it be governed by a state's law other than the State of Rhode Island, such requirements are void to the extent that such law conflicts with Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- c. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Area Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Area Development Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

**WASHINGTON AMENDMENT
TO AREA DEVELOPMENT AGREEMENT**

The Salsarita's Franchising, LLC Area Development Agreement between _____ ("Franchisee" or "You") and Salsarita's Franchising, LLC ("Franchisor") dated _____ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

WASHINGTON LAW MODIFICATIONS

1. The Washington Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940 (the "Act"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. In the event of a conflict of laws, the provisions of the Act shall prevail.
- b. If Franchisee is required to sign a general release under the Agreement, such release or waiver of rights signed by Franchisee shall not include rights under the Washington Franchise Investment Protection Act except when signed under a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
- c. The sentence in Section VIII.B. of the Agreement beginning with "Franchisor shall not charge..." and ending with "...remaining to be developed." shall be deleted in its entirety and replaced with the following sentence: "Franchisor shall not charge such assignee a Development Fee, but will charge a transfer fee not to exceed \$10,000 for each Restaurant remaining to be developed, which fee represents a reasonable estimated cost in effecting the transfer."
- d. To the extent that any provision of the Agreement conflicts with Section 19.100.180 of the Act, Section 19.100.180 will control.
- e. In any arbitration or mediation arising under or related to this Agreement, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Agreement, Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any

such provisions contained in the Agreement or elsewhere are void and unenforceable in Washington.

- h. Paragraphs 3, 4 and 5 of Section XIV of the Agreement are hereby deleted in their entirety.
- i. 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.

2. Each provision of this Washington amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this Amendment.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have duly and fully executed, sealed and delivered this Amendment to the Agreement on the day and year first above written.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____
(SEAL)

Title: _____
(SEAL)

EXHIBIT H

CONFIDENTIALITY/NONDISCLOSURE AGREEMENT

CONFIDENTIALITY/NONDISCLOSURE AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 20____, by and between Salsarita’s Franchising, LLC, a Mississippi limited liability company, (hereinafter referred to as “the Company”) and _____, whose address is _____ (hereinafter referred to as “Prospective Franchise Owner”).

WITNESSETH THAT:

WHEREAS, Prospective Franchise Owner desires to obtain certain confidential and proprietary information from the Company for the sole purpose of inspecting and analyzing said information in an effort to determine whether to purchase a franchise from the Company; and

WHEREAS, the Company is willing to provide such information to Prospective Franchise Owner for the limited purpose and under the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

1. **DEFINITION.** “Confidential Information” is used herein to mean all information, documentation and devices disclosed to or made available to Prospective Franchise Owner by the Company, whether orally or in writing, as well as any information, documentation or devices heretofore or hereafter produced by Prospective Franchise Owner in response to or in reliance on said information, documentation and devices made available by the Company.

2. **TERM.** The parties hereto agree that the restrictions and obligations of Paragraph 3 of this Agreement shall be deemed to have been in effect from the commencement on the _____ day of _____, 20____, of the ongoing negotiations between Prospective Franchise Owner and the Company and continue in perpetuity until disclosed by the Company.

3. **TRADE SECRET ACKNOWLEDGEMENT.** Prospective Franchise Owner acknowledges and agrees the Confidential Information is a valuable trade secret of the Company and that any disclosure or unauthorized use thereof will cause irreparable harm and loss to the Company.

4. **TREATMENT OF CONFIDENTIAL INFORMATION.** In consideration of the disclosure to Prospective Franchise Owner of Confidential Information, Prospective Franchise Owner agrees to treat Confidential Information in confidence and to undertake the following additional obligations with respect thereto:

- (a) To use Confidential Information for the sole purpose of inspecting and analyzing the information in an effort to determine whether to purchase a franchise from the Company and solely in its operation of the Company Franchise;
- (b) Not to disclose Confidential Information to any third party;

- (c) To limit dissemination of Confidential Information to only those of Prospective Franchise Owner’s officers, directors and employees who have a need to know to perform the limited tasks set forth in Item 4 (a) above; and who have agreed to the terms and obligations of this Agreement by affixing their signatures hereto;
- (d) Not to copy Confidential Information or any portions thereof; and
- (e) To return Confidential Information and all documents, notes or physical evidence thereof, to the Company upon a determination that Prospective Franchise Owner no longer has a need therefore, or a request therefore, from the Company, whichever occurs first.

5. **SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement shall survive any expiration, termination or cancellation of this Agreement and shall continue to bind Prospective Franchise Owner, his heirs, successors and assigns in perpetuity.

6. **NEGATION OF LICENSES.** Except as expressly set forth herein, no rights to licenses, expressed or implied, are hereby granted to Prospective Franchise Owner as a result of or related to this Agreement.

7. **APPLICABLE LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

FRANCHISOR

FRANCHISEE

SALSARITA’S FRANCHISING, LLC

(Name of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

(SEAL)

(SEAL)

EXHIBIT I
FINANCIAL STATEMENTS

SALSARITA'S FRANCHISING, LLC

Financial Statements

December 29, 2024 and December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Member
Salsarita's Franchising, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Salsarita's Franchising, LLC, which comprise the balance sheets as of December 29, 2024 and December 31, 2023, and the related statements of income, changes in member's equity and cash flows for the 52 weeks 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 Salsarita's Franchising, LLC as of December 29, 2024 and December 31, 2023, and the results of its operations and its cash flows for the 52 weeks then ended in accordance 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 Statements section of our report. We are required to be independent of Salsarita's Franchising, LLC 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 Salsarita's Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Salsarita's Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salsarita's Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

BMSS, LLC

Ridgeland, Mississippi
April 15, 2025

SALSARITA'S FRANCHISING, LLC
Balance Sheets
December 29, 2024 and December 31, 2023

	2024	2023
Assets		
Current assets		
Cash	\$ 567,855	\$ 321,802
Cash, restricted	295,473	199,711
Royalties receivable, net of allowance for credit losses of \$8,774 and \$32,774, respectively	219,710	376,200
Other receivables	98,773	69,969
Prepaid expenses	60,603	24,922
	1,242,414	992,604
Equipment and leasehold improvements, net	43,339	54,950
Other assets		
Goodwill	4,225,000	4,225,000
Right-of-use asset, net	74,326	145,716
Due from related parties	2,940,380	3,254,333
Deposits	7,909	7,909
	7,247,615	7,632,958
Total assets	\$ 8,533,368	\$ 8,680,512
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 325,326	\$ 330,545
Accrued expenses	47,027	52,814
Current portion of operating lease liability	76,660	71,449
	449,013	454,808
Long-term liabilities		
Long-term debt	150,000	150,000
Deferred franchise fees	27,872	24,678
Operating lease liability, less current portion	-	76,660
Due to related party	391,916	-
Accrued management fees to related party	101,056	137,914
	670,844	389,252
Member's equity	7,413,511	7,836,452
Total liabilities and member's equity	\$ 8,533,368	\$ 8,680,512

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
 Statements of Income
 Fifty-two Weeks ended December 29, 2024 and December 31, 2023

	2024	2023
Royalties and franchise fees	\$ 4,607,662	\$ 4,728,152
Operating expenses		
Compensation and benefits	1,532,267	1,595,042
Depreciation and amortization	17,246	27,544
Other operating expenses	2,124,599	2,360,525
Total operating expenses	3,674,112	3,983,111
Net operating income	933,550	745,041
Other income, net	19,673	607
Net income	\$ 953,223	\$ 745,648

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
Statements of Changes in Member's Equity
Fifty-two Weeks ended December 29, 2024 and December 31, 2023

Balance - January 1, 2023	\$ 8,290,804
Distribution during 2023	(1,200,000)
Net income for 2023	<u>745,648</u>
Balance - December 31, 2023	7,836,452
Distributions during 2024	(1,376,164)
Net income for 2024	<u>953,223</u>
Balance - December 29, 2024	<u><u>\$ 7,413,511</u></u>

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
 Statements of Cash Flows
 Fifty-two Weeks ended December 29, 2024 and December 31, 2023

	2024	2023
Operating Activities		
Net income	\$ 953,223	\$ 745,648
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17,246	27,544
Credit loss expense	70,000	8,061
Noncash operating lease expense	75,789	73,582
Changes in assets and liabilities during the year		
Royalties receivable	86,490	(14,553)
Other receivables	(28,804)	87,773
Prepaid expenses	(35,681)	1,091
Accounts payable	(5,219)	(35,518)
Accrued expenses	(5,787)	(1,351)
Operating lease liability	(75,848)	(71,433)
Deferred franchise fees	3,194	(46,146)
Net cash provided by operating activities	1,054,603	774,698
Investing Activities		
Purchase of equipment and leasehold improvements	(5,635)	(32,995)
Net cash used in investing activities	(5,635)	(32,995)
Financing Activities		
Net advances to related parties	(707,153)	(908,647)
Net cash used in investing activities	(707,153)	(908,647)
Net change in cash and cash equivalents	341,815	(166,944)
Cash and cash equivalents - beginning of year	521,513	688,457
Cash and cash equivalents - end of year	\$ 863,328	\$ 521,513

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
 Statements of Cash Flows
 Fifty-two Weeks ended December 29, 2024 and December 31, 2023
 (Continued)

	2024	2023
Cash and cash equivalents is comprised of		
Cash - unrestricted	\$ 567,855	\$ 321,802
Cash - restricted	295,473	199,711
	\$ 863,328	\$ 521,513
 Supplemental Schedule of Noncash Operating Activities		
Cash paid for interest	\$ 8,772	\$ 8,772
 Supplemental Schedule of Noncash Investing and Financing Activities		
Noncash distribution to affiliated company by a reduction in Due From Related Parties	\$ 1,200,000	\$ 1,200,000

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure and Basis of Presentation

Salsarita's Franchising, LLC (Franchising or the Company), along with Salsarita's Restaurants, LLC (Restaurants), were formed and organized as Mississippi Limited Liability Companies on April 19, 2011. Both entities are wholly-owned subsidiaries of Salsarita's Holdings, LLC (Holdings).

The financial statements included herein represent only those for Franchising. Certain transactions have occurred between Holdings, Restaurants and other affiliated entities.

Basis of Accounting

The financial statements are prepared using the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America.

Fiscal Year-End

The Company's year-end is the last Sunday that is closest to December 31. For fiscal year 2024, the year end was December 29, 2024, and covers the 52 weeks then ended. The 2023 fiscal year-end was December 31, 2023, and covers the 52 weeks then ended.

Nature of Business

Salsarita's Franchising, LLC serves as franchisor of Salsarita's Mexican Cantina restaurant operations in the United States. The home office for the Company is in Charlotte, North Carolina.

Franchising Activities

Salsarita's Franchising, LLC executes franchise or license agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise and license agreements are charged to general and administrative expenses as incurred.

When an individual franchise is initially sold, Franchising agrees to provide certain services to the franchisee, including site selection, training, systems implementation and design of a quality control program. Franchising recognizes initial fees as revenue when substantially all initial services required by the franchise or license agreement are performed, which is generally upon opening of a store.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Franchising Activities - Continued

Continuing fees are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to general and administrative expense. Franchising recognizes renewal fees in income when a renewal agreement becomes effective.

As of December 31, 2023 there were 71 franchised stores, including eight stores owned by affiliate Restaurants under agreements with Franchising. During the 52 weeks ended December 29, 2024, one new non-affiliate franchise was added, one affiliate store was transferred to a non-affiliate and five franchise agreements were terminated, including one store owned by Restaurants. These transactions resulted in 67 franchised stores as of December 29, 2024, including six stores owned by Restaurants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Franchising considers all highly liquid investments with initial maturities of three months or less to be cash equivalents for purposes of the statements of cash flows. Cash equivalents include restricted cash accounts associated with the Company's gift card and marketing activities.

Royalties Receivable and Allowance for Credit Losses

Franchising reports accounts receivable at net realizable value. Franchising extends unsecured credit to its franchisees in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Management determines the allowance for credit losses based on the credit losses expected to arise over the life of the asset. Receivables are written off when the Company determines that such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is provided over the various useful lives of the assets under the straight-line method. For income tax purposes, statutory accelerated methods are utilized.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Goodwill

In accordance with authoritative guidance, goodwill is reflected in the accompanying balance sheets at its gross original carrying value, net of recognized impairment losses. The Company evaluates the recoverability of goodwill by estimating the future cash flows of the business reporting segment to which the intangible relates. This evaluation is made whenever events or changes in circumstances indicate the carrying amount may not be recoverable. After this analysis, management of the Company has determined that no impairment losses existed as of December 29, 2024 or December 31, 2023, with regard to reported goodwill carrying amounts.

The Company has elected the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update 2021-03, which provides for the accounting alternative to perform the goodwill impairment triggering event evaluation as is required by FASB Accounting Standards Codification (ASC) Subtopic 350-20 as of the end of the reporting period. By electing this alternative, Franchising is not required to monitor goodwill impairment triggering events during the reporting period.

Marketing and Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$1,113,542 and \$1,331,315 for the 52 weeks ended December 29, 2024 and December 31, 2023, respectively.

Leases

Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily available, but where not available has elected to use the risk-free rate of return. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has a lease agreement with lease and non-lease components, which are generally accounted for separately with amounts allocated to lease and non-lease components based on stand-alone prices.

Income Taxes

Salsarita's Franchising, LLC has been a limited liability company since inception. The affiliated entities file their federal tax returns as a combined group. Under the LLC structure, members of the entities include their share of Franchising's taxable income in their personal income tax returns.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - Continued

Franchising recognizes and measures its unrecognized tax benefits in accordance with authoritative guidance. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Company in income tax issues. Management of Franchising has evaluated their uncertain tax positions and does not believe that any meet the requirements for reporting under the standard.

NOTE 2 - RISKS AND UNCERTAINTIES

During the normal course of business, Franchising extends credit without collateral to franchisees. Although management of the Company establishes satisfactory allowances for uncollectible accounts based upon prior loss experiences with their customers, it is reasonably possible that actual future realization of receivables could differ from amounts recorded in financial statements.

Additionally, the Company is subject to other usual business matters that can impact a closely held business such as Salsarita's Franchising, LLC. Changes in areas such as government and securities regulations, economic forces, interest rates, employee insurance issues, wage and hour regulations, and such other matters can affect businesses in the current economy.

Cash and cash equivalents are maintained at financial institutions, and at times, balances may exceed Federally insured limits. The Company has never experienced any losses related to these balances.

NOTE 3 - REVENUE RECOGNITION

The Company recognizes revenue in accordance with FASB Accounting Standards Codification 606 (ASC 606), *Revenue from Contracts with Customers*. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, requires the deferral of incremental costs of obtaining a contract with a customer.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 3 - REVENUE RECOGNITION - Continued

A summary of the Company's revenue policies, particularly with regard to ASC 606 and Subtopic 340-40 follows:

Franchising revenue - The Company grants individual restaurant franchises to operators in exchange for initial franchise license fees and continuing royalty and marketing payments. The initial franchise fees are generally paid in advance by the franchisees and are recorded as deferred franchise fees in the accompanying balance sheets. Under current guidance, the Company reviews its performance obligations under the underlying franchise agreements associated with the initial fees and recognizes the revenue from franchise fees commensurate with fulfillment of the respective performance obligations.

Royalties revenue - Once operational, franchisees are required to pay to Franchising a continuing royalty fee (generally equal to 5% of monthly net revenues, as defined under the franchise agreements). Royalty revenue is recognized during the period in which the underlying net revenues of the franchise are earned.

Marketing royalties revenue - All franchisees are required to contribute to certain Franchising marketing funds. Such funds are used to advertise and promote the Salsarita's Mexican Cantina brand and its image. Marketing fund revenues are based on the franchisees' monthly net revenues as defined under the franchise agreements. Marketing royalties revenue is recognized during the period in which the underlying net revenues of the franchise are earned.

Under ASC 606, the Company has concluded that it, as franchisor, is the principal in such marketing and advertising activities because the Company controls the authorization and disbursement of advertising fund expenditures. Consequently, the Company records marketing royalties as revenue, and marketing and advertising costs as operating costs in the accompanying statements of income.

Disaggregated Company revenues for fiscal 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Continuing franchisee royalties	\$ 2,983,190	\$ 3,074,296
Marketing royalties	1,348,521	1,399,638
Franchising royalties	35,506	93,445
Vendor rebates and sponsorships	240,445	160,773
	<u>\$ 4,607,662</u>	<u>\$ 4,728,152</u>

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 4 - ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses during the year were as follows:

	<u>2024</u>	<u>2023</u>
Balance - beginning of year	\$ 32,774	\$ 36,456
Provision for credit losses	61,000	11,743
Charge-offs	(94,000)	(15,425)
Recoveries	9,000	-
Balance - end of year	<u>\$ 8,774</u>	<u>\$ 32,774</u>

NOTE 5 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following as of December 29, 2024 and December 31, 2023:

	Estimated Useful Life	<u>2024</u>	<u>2023</u>
Leasehold improvements	6-15 years	\$ 29,699	\$ 29,699
Store and office equipment	3-5 years	78,571	78,571
Furniture and fixtures	5 years	78,558	78,558
Computer/telephone equipment	3 years	144,079	138,444
Software	3 years	61,413	61,413
Design and construction	5-10 years	92,644	92,644
		<u>484,964</u>	<u>479,329</u>
Accumulated depreciation and amortization		(441,625)	(424,379)
Total		<u>\$ 43,339</u>	<u>\$ 54,950</u>

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 6 - NOTES PAYABLE

On August 8, 2020, Franchising borrowed \$160,000 under the Small Business Administration (SBA) Economic Injury Disaster Loans (EIDL) program. Of this initial amount, \$10,000 was automatically forgiven by the SBA. The debt bears interest at a rate of 3.75%; is secured under a general security agreement designating business assets as collateral; and the \$150,000 balance is not forgivable. The promissory note is due monthly over a 30-year period beginning one year from the date of the note, however, the SBA granted two separate deferrals of repayments on these EIDL loans. Payments will amount to \$731 during the repayment period with a balloon payment due on any remaining balance on May 9, 2050. Repayment of this loan began on December 9, 2022. Interest continues to accrue from the date of the loan. Management of the Company believes that the proceeds were used according to the program provisions.

At December 29, 2024, scheduled maturities of long-term debt consist of the following:

2027	\$	2,434
2028		3,295
2029		3,420
Thereafter		140,851
	\$	<u>150,000</u>

NOTE 7 - LEASE AGREEMENTS

The Company leased its corporate office space under an agreement which was set to expire in January 2023. In December 2022, the Company modified the terms of the agreement at which time the corporate office was relocated to a smaller space and the lease was extended for a three-year and one month period ended December 31, 2025. The lease modification included escalating payments on the 1st of each calendar year. Lease expense under the agreement is recognized on a straight-line basis over the life of the lease.

The remaining term of the lease as of December 29, 2024 was one year. A discount rate of 3.97% was used to calculate the present value which was the risk-free rate on January 3, 2022, the date on which the Company adopted FASB ASU 2016-02, *Leases*.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 7 - LEASE AGREEMENTS - Continued

Minimum future rental payments required under the lease obligation are as follows for the fiscal years ending on the Sunday closest to December 31:

2025	\$ 78,063
Total minimum lease payments	78,063
Less: Imputed interest	(1,403)
Total lease liabilities	\$ 76,660

Rent expense totaled \$88,121 and \$86,389 during the 52 weeks ended December 29, 2024 and December 31, 2023, respectively.

NOTE 8 - RELATED PARTY TRANSACTIONS

In December 2012, Mississippi Franchise Development, LLC (MFD), entered into area development and franchise agreements with Franchising. Generally, the agreements provide for the development of 10 restaurants in Mississippi and Tennessee. In connection with the agreements, MFD paid Franchising for the initial development rights, as well as subsequent store-opening franchise fees. As of December 29, 2024 and December 31, 2023, \$67 and \$366, respectively, of Franchising's deferred franchise fees were attributable to one MFD store. No store locations were opened or closed by MFD during the 52 weeks ended December 29, 2024. As of December 29, 2024, MFD owned and operated three Salsarita's store locations in Mississippi, Tennessee, and North Carolina.

MFD paid royalties to Franchising totaling \$7,136 during the 52 weeks ended December 29, 2024. Continuing royalties to Franchising were not charged during the 52 weeks ended December 31, 2023. MFD paid national marketing expenses totaling of \$59,961 and \$57,197, during the 52 weeks ended December 29, 2024 and December 31, 2023, respectively. MFD owed Franchising \$46,621 and \$34,564 for other expenses paid on MFD's behalf as of December 29, 2024 and December 31, 2023, respectively.

MFD is owned by certain individuals and entities, one of which is Mississippi Restaurant Group, LLC (MRG), who is also a member of Salsarita's Holdings, LLC. MRG, one of the members of Holdings, serves as the Manager of Holdings which, in turn, serves as manager of Franchising. Under the management agreement, MRG is entitled to compensation equal to 3.00% of the gross revenue of Franchising.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 8 - RELATED PARTY TRANSACTIONS - Continued

Pursuant to a change in its Operating Agreement, beginning in 2016, Franchising allowed MRG, as Manager, to defer up to 100% of its compensation until and only if there is "change in control" - defined as a change in ownership of greater than 50% of the total market value of total voting power of the Company. For years 2016 through 2019, MRG elected to defer a portion of its compensation as a contingent obligation of the Company. This contingent balance totaled \$86,108 as of December 29, 2024 and December 31, 2023. For the 52 weeks ended December 29, 2024 and December 31, 2023, MRG elected to expense all earned management fees amounting to \$89,424 and \$92,307, respectively. As of December 29, 2024 and December 31, 2023, accrued management fees on the balance sheets totaled \$101,056 and \$137,914, respectively. Total accrued and deferred contingent management fees as of December 29, 2024 and December 31, 2023, totaled \$187,164 and \$224,022, respectively.

Salsarita's Holdings, LLC, the parent of Salsarita's Franchising, LLC, has a non-financial and non-governance interest in MFD, which provides for Holdings to receive certain allocations of profits and distributions after the financial interest holders of MFD have recovered their aggregate capital contributions to the Company. No earnings were either received or earned by Holdings during the 52 weeks ended December 29, 2024 and December 31, 2023.

Continuing royalties were not charged to Restaurants by Franchising during fiscal years 2024 or 2023. However, Restaurants incurred marketing royalties expense due to Franchising totaling \$176,785 and \$226,630 during fiscal 2024 and 2023, respectively.

Franchising was owed \$2,891,710 from Holdings as of December 29, 2024 and December 31, 2023. Franchising owed \$391,916 to Restaurants as of December 29, 2024 and was owed \$326,010 from Restaurants as of December 31, 2023. These sums reflect unsecured, non-interest bearing advances under intercompany accounting practices used to accurately allocate expenses between entities and are made at the election of the Company management. Management of the Companies have considered various factors in evaluating the credit quality of advances to related parties, including their assessment of the counterparties' ability to repay their obligations. Franchising believes that all such advances will be fully recovered; therefore, an allowance for credit losses has not been recorded.

Holdings, Franchising and Restaurants were jointly obligated under a line of credit aggregating \$250,000, which matured in April 2024 and was not renewed. The companies are jointly obligated under a note, recorded on Restaurants' balance sheet, totaling \$233,333 at December 29, 2024, which is due in monthly installments of \$8,333, plus interest at a rate of 7.30%, through April 2027. Substantially all of the Companies' assets collateralize the notes, which are subject to certain restrictive financial and operational covenants and guaranteed by certain Company members.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 29, 2024 and December 31, 2023
(Continued)

NOTE 9 - PROFIT SHARING PLAN

The Company has a 401(k) retirement plan for its full-time employees. The Company made contributions to the plan totaling \$41,001 and \$38,355 for the 52 weeks ended December 29, 2024 and December 31, 2023, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The Company had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through April 15, 2025, the date the financial statements were approved by the Company's management and thereby available to be issued.

SALSARITA'S FRANCHISING, LLC

Financial Statements

December 31, 2023 and January 1, 2023

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INDEPENDENT AUDITORS' REPORT

To the Member
Salsarita's Franchising, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Salsarita's Franchising, LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of income, changes in member's equity and cash flows for the 52 weeks 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 Salsarita's Franchising, LLC as of December 31, 2023, and the results of its operations and its cash flows for the 52 weeks then ended in accordance 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 Statements section of our report. We are required to be independent of Salsarita's Franchising, LLC 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.

Prior Period Financial Statements

The financial statements as of January 1, 2023, were audited by Haddox Reid Eubank Betts PLLC, who merged with BMSS, LLC as of December 1, 2023 and whose report dated August 9, 2023 expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 Salsarita's Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Salsarita's Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salsarita's Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

BMSS, LLC

Ridgeland, Mississippi
April 23, 2024

SALSARITA'S FRANCHISING, LLC
Balance Sheets
December 31, 2023 and January 1, 2023

	2023	2022
Assets		
Current assets		
Cash	\$ 321,802	\$ 232,603
Cash, restricted	199,711	455,854
Royalties receivable, net of allowance for credit losses of \$32,774 and \$36,456, respectively	376,200	369,708
Other receivables	69,969	157,742
Prepaid expenses	24,922	26,013
Total current assets	992,604	1,241,920
Equipment and leasehold improvements, net	54,950	49,499
Other assets		
Goodwill	4,225,000	4,225,000
Right-of-use asset, net	145,716	214,371
Due from related parties	3,254,333	3,548,472
Deposits	7,909	7,909
Total other assets	7,632,958	7,995,752
Total assets	\$ 8,680,512	\$ 9,287,171
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 330,545	\$ 366,063
Accrued expenses	52,814	54,165
Current portion of operating lease liability	71,449	66,506
Total current liabilities	454,808	486,734
Long-term liabilities		
Long-term debt	150,000	150,000
Deferred franchise fees	24,678	70,824
Operating lease liability, less current portion	76,660	148,109
Accrued management fees to related party	137,914	140,700
Total long-term liabilities	389,252	509,633
Member's equity	7,836,452	8,290,804
Total liabilities and member's equity	\$ 8,680,512	\$ 9,287,171

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
 Statements of Income
 52 weeks ended December 31, 2023 and January 1, 2023

	2023	2022
Royalties and franchise fees	\$ 4,728,152	\$ 4,779,341
Operating expenses		
Compensation and benefits	1,595,042	1,421,067
Depreciation and amortization	27,544	22,702
Other operating expenses	2,360,525	1,880,746
Total operating expenses	3,983,111	3,324,515
Net operating income	745,041	1,454,826
Other income (expense), net	607	47,975
Net income	\$ 745,648	\$ 1,502,801

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
Statements of Changes in Member's Equity
52 weeks ended December 31, 2023 and January 1, 2023

Balance, January 2, 2022	\$ 10,003,003
Distribution during 2022	(3,215,000)
Net income for 2022	<u>1,502,801</u>
Balance, January 1, 2023	8,290,804
Distribution during 2023	(1,200,000)
Net income for 2023	<u>745,648</u>
Balance, December 31, 2023	<u><u>\$ 7,836,452</u></u>

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
Statements of Cash Flows
52 weeks ended December 31, 2023 and January 1, 2023

	2023	2022
Operating Activities		
Net income	\$ 745,648	\$ 1,502,801
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	27,544	22,702
Credit loss expense	8,061	-
Noncash operating lease expense	73,582	129,094
Changes in assets and liabilities during the year		
Royalties receivable	(14,553)	(63,219)
Other receivables	87,773	145,908
Prepaid expenses	1,091	(14,533)
Accounts payable	(35,518)	14,526
Accrued expenses	(1,351)	(12,211)
Operating lease liability	(71,433)	(128,850)
Deferred franchise fees	(46,146)	(82,255)
Net cash provided by operating activities	774,698	1,513,963
Investing Activities		
Purchase of equipment and leasehold improvements	(32,995)	-
Net cash used in investing activities	(32,995)	-
Financing Activities		
Net advances to related parties	(908,647)	(1,513,170)
Net cash used in investing activities	(908,647)	(1,513,170)
Net (decrease) increase in cash and cash equivalents	(166,944)	793
Cash and cash equivalents, beginning of year	688,457	687,664
Cash and cash equivalents, end of year	\$ 521,513	\$ 688,457

See notes to financial statements.

SALSARITA'S FRANCHISING, LLC
 Statements of Cash Flows
 December 31, 2023 and January 1, 2023
 (Continued)

Cash and cash equivalents is comprised of		
Cash, unrestricted	\$ 321,802	\$ 232,603
Cash, restricted	199,711	455,854
	<u>\$ 521,513</u>	<u>\$ 688,457</u>

**Supplemental Schedule of Noncash Investing
 and Financing Activities**

Operating lease right-of-use asset and lease liability recognized at January 3, 2022	<u>\$ -</u>	<u>\$ 144,804</u>
Operating lease right-of-use asset and lease liability recognized during 2022	<u>\$ -</u>	<u>\$ 197,654</u>
Noncash distribution to affiliated company by a reduction in Due From Related Parties	<u>\$ 1,200,000</u>	<u>\$ 3,215,000</u>

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure and Basis of Presentation

Salsarita's Franchising, LLC (Franchising or the Company), along with Salsarita's Restaurants, LLC (Restaurants), were formed and organized as Mississippi Limited Liability Companies on April 19, 2011. Both entities are wholly-owned subsidiaries of Salsarita's Holdings, LLC (Holdings).

The financial statements included herein represent only those for Franchising. Certain transactions have occurred between Holdings, Restaurants and other affiliated entities.

Basis of Accounting

The financial statements are prepared using the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America.

Fiscal Year-End

The Company's year-end is the last Sunday that is closest to December 31. For fiscal year 2023, the year end was December 31, 2023, and covers the 52 weeks then ended. The 2022 fiscal year-end was January 1, 2023, and covers the 52 weeks then ended.

Nature of Business

Salsarita's Franchising, LLC serves as franchisor of Salsarita's Mexican Cantina restaurant operations in the United States. The home office for the Company is in Charlotte, North Carolina.

Franchising Activities

Salsarita's Franchising, LLC executes franchise or license agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise and license agreements are charged to general and administrative expenses as incurred.

When an individual franchise is initially sold, Franchising agrees to provide certain services to the franchisee, including site selection, training, systems implementation and design of a quality control program. Franchising recognizes initial fees as revenue when substantially all initial services required by the franchise or license agreement are performed, which is generally upon opening of a store.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Franchising Activities - Continued

Continuing fees are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to general and administrative expense. Franchising recognizes renewal fees in income when a renewal agreement becomes effective.

As of January 1, 2023, there were 74 franchised stores, including nine stores owned by affiliate Restaurants under agreements with Franchising. During the 52 weeks ended December 31, 2023, one new non-affiliate franchise was added. Four franchise agreements were terminated, including one store owned by Restaurants. These transactions resulted in 71 franchised stores as of December 31, 2023, including eight stores owned by Restaurants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Franchising considers all highly liquid investments with initial maturities of three months or less to be cash equivalents for purposes of the statements of cash flows. Cash equivalents include restricted cash accounts associated with the Company's gift card and marketing activities.

Royalties Receivable and Allowance for Credit Losses

Franchising reports accounts receivable at net realizable value. Franchising extends unsecured credit to its franchisees in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Management determines the allowance for credit losses based on the credit losses expected to arise over the life of the asset. Receivables are written off when the Company determines that such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The allowance for credit losses totaled \$32,774 and \$36,456 as of December 31, 2023 and January 1, 2023, respectively. Bad debt, net of recoveries, for the 52 weeks ended December 31, 2023 and January 1, 2023 totaled \$8,061 and \$0, respectively.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is provided over the various useful lives of the assets under the straight-line method. For income tax purposes, statutory accelerated methods are utilized.

Goodwill

In accordance with authoritative guidance, goodwill is reflected in the accompanying balance sheets at its gross original carrying value, net of recognized impairment losses. The Company evaluates the recoverability of goodwill by estimating the future cash flows of the business reporting segment to which the intangible relates. This evaluation is made whenever events or changes in circumstances indicate the carrying amount may not be recoverable. After this analysis, management of the Company has determined that no impairment losses existed as of December 31, 2023 or January 1, 2023, with regard to reported goodwill carrying amounts.

The Company has elected the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update 2021-03, which provides for the accounting alternative to perform the goodwill impairment triggering event evaluation as is required by FASB Accounting Standards Codification (ASC) Subtopic 350-20 as of the end of the reporting period. By electing this alternative, Franchising is not required to monitor goodwill impairment triggering events during the reporting period.

Marketing and Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$1,331,515 and \$833,640 for the 52 weeks ended January 1, 2023 and December 31, 2023, respectively.

Leases

Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily available, but where not available has elected to use the risk-free rate of return. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has a lease agreement with lease and non-lease components, which are generally accounted for separately with amounts allocated to lease and non-lease components based on stand-alone prices.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Salsarita's Franchising, LLC has been a limited liability company since inception. The affiliated entities file their federal tax returns as a combined group. Under the LLC structure, members of the entities include their share of Franchising's taxable income in their personal income tax returns.

Franchising recognizes and measures its unrecognized tax benefits in accordance with authoritative guidance. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Company in income tax issues. Management of Franchising has evaluated their uncertain tax positions and does not believe that any meet the requirements for reporting under the standard.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. The reclassifications had no impact on previously reported net income or member's equity.

NOTE 2 - ADOPTION OF NEW ACCOUNTING STANDARD

The Company adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)* as of January 2, 2023. ASU 2016-13 introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for contracts and other receivables. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

On January 2, 2023, the Company adopted the guidance using a modified retrospective approach. The adoption of the guidance did not have a material effect on member's equity, and therefore no adjustment was made to member's equity at January 2, 2023.

NOTE 3 - RISKS AND UNCERTAINTIES

During the normal course of business, Franchising extends credit without collateral to franchisees. Although management of the Company establishes satisfactory allowances for uncollectible accounts based upon prior loss experiences with their customers, it is reasonably possible that actual future realization of receivables could differ from amounts recorded in financial statements.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 3 - RISKS AND UNCERTAINTIES - Continued

Additionally, the Company is subject to other usual business matters that can impact a closely held business such as Salsarita's Franchising, LLC. Changes in areas such as government and securities regulations, economic forces, interest rates, employee insurance issues, wage and hour regulations, and such other matters can affect businesses in the current economy.

Cash and cash equivalents are maintained at financial institutions, and at times, balances may exceed Federally insured limits. The Company has never experienced any losses related to these balances.

NOTE 4 - REVENUE RECOGNITION

The Company recognizes revenue in accordance with FASB Accounting Standards Codification 606 (ASC 606), *Revenue from Contracts with Customers*. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, requires the deferral of incremental costs of obtaining a contract with a customer.

A summary of the Company's revenue policies, particularly with regard to ASC 606 and Subtopic 340-40 follows:

Franchising revenue - The Company grants individual restaurant franchises to operators in exchange for initial franchise license fees and continuing royalty and marketing payments. The initial franchise fees are generally paid in advance by the franchisees and are recorded as deferred franchise fees in the accompanying balance sheets. Under current guidance, the Company reviews its performance obligations under the underlying franchise agreements associated with the initial fees and recognizes the revenue from franchise fees commensurate with fulfillment of the respective performance obligations.

Royalties revenue - Once operational, franchisees are required to pay to Franchising a continuing royalty fee (generally equal to 5% of monthly net revenues, as defined under the franchise agreements). Royalty revenue is recognized during the period in which the underlying net revenues of the franchise are earned.

Marketing royalties revenue - All franchisees are required to contribute to certain Franchising marketing funds. Such funds are used to advertise and promote the Salsarita's Mexican Cantina brand and its image. Marketing fund revenues are based on the franchisees' monthly net revenues as defined under the franchise agreements. Marketing royalties revenue is recognized during the period in which the underlying net revenues of the franchise are earned.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 4 - REVENUE RECOGNITION - Continued

Under ASC 606, the Company has concluded that it, as franchisor, is the principal in such marketing and advertising activities because the Company controls the authorization and disbursement of advertising fund expenditures. Consequently, the Company records marketing royalties as revenue, and marketing and advertising costs as operating costs in the accompanying statements of income.

Disaggregated Company revenues for fiscal 2023 and 2022 comprise the following:

	<u>2023</u>	<u>2022</u>
Continuing franchisee royalties	\$ 3,074,296	\$ 2,938,002
Marketing royalties	1,399,638	1,397,616
Franchising royalties	93,445	246,860
Vendor rebates and sponsorships	160,773	196,863
	<u>\$ 4,728,152</u>	<u>\$ 4,779,341</u>

NOTE 5 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following as of December 31, 2023 and January 1, 2023:

	Estimated Useful Life	<u>2023</u>	<u>2022</u>
Leasehold improvements	6-15 years	\$ 29,699	\$ 20,919
Store and office equipment	3-5 years	78,571	78,571
Furniture and fixtures	5 years	78,558	58,687
Computer/telephone equipment	3 years	138,444	134,100
Software	3 years	61,413	61,413
Design and construction	5-10 years	92,644	92,644
		<u>479,329</u>	<u>446,334</u>
Accumulated depreciation and amortization		<u>(424,379)</u>	<u>(396,835)</u>
Total		<u>\$ 54,950</u>	<u>\$ 49,499</u>

SALSARITA’S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 6 - LEASE AGREEMENTS

The Company leased its corporate office space under an agreement which was set to expire in January 2023. In December 2022, the Company modified the terms of the agreement at which time the corporate office was relocated to a smaller space and the lease was extended for a three-year and one month period ended December 31, 2025. The lease modification included escalating payments on the 1st of each calendar year. Lease expense under the agreement is recognized on a straight-line basis over the life of the lease.

The remaining term of the lease as of December 31, 2023 was two years. A discount rate of 3.97% was used to calculate the present value which was the risk-free rate on January 3, 2022, the date on which the Company adopted FASB ASU 2016-02, *Leases*.

Minimum future rental payments required under the lease obligation are as follows for the fiscal years ending on the Sunday closest to December 31:

2024	\$	75,789
2025		78,063
Total minimum lease payments		153,852
Less: Imputed interest		(5,743)
Total lease liabilities	\$	148,109

Rent expense totaled \$86,389 and \$153,582 during the 52 weeks ended December 31, 2023 and January 1, 2023, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

In December 2012, Mississippi Franchise Development, LLC (MFD), entered into area development and franchise agreements with Franchising. Generally, the agreements provide for the development of 10 restaurants in Mississippi and Tennessee. In connection with the agreements, MFD paid Franchising for the initial development rights, as well as subsequent store-opening franchise fees. As of December 31, 2023 and January 1, 2023, \$366 and \$665, respectively, of Franchising’s deferred franchise fees were attributable to one MFD store. No store locations were opened or closed by MFD during the 52 weeks ended December 31, 2023. As of December 31, 2023, MFD owned and operated three Salsarita’s store locations in Mississippi, Tennessee, and North Carolina.

Continuing royalties to Franchising were not charged during the 52 weeks ended December 31, 2023. MFD paid royalties to Franchising totaling \$11,866 during the 52 weeks ended January 1, 2023. MFD paid national marketing expenses totaling of \$57,197 and \$69,558, during the 52 weeks ended December 31, 2023 and January 1, 2023, respectively.

SALSARITA'S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 7 - RELATED PARTY TRANSACTIONS - Continued

MFD is owned by certain individuals and entities, one of which is Mississippi Restaurant Group, LLC (MRG), who is also a member of Salsarita's Holdings, LLC. MRG, one of the members of Holdings, serves as the Manager of Holdings which, in turn, serves as manager of Franchising. Under the management agreement, MRG is entitled to compensation equal to 3.00% of the gross revenue of Franchising.

Pursuant to a change in its Operating Agreement, beginning in 2016, Franchising allowed MRG, as Manager, to defer up to 100% of its compensation until and only if there is "change in control" - defined as a change in ownership of greater than 50% of the total market value of total voting power of the Company. For years 2016 through 2019, MRG elected to defer a portion of its compensation as a contingent obligation of the Company. This contingent balance totaled \$86,108 as of December 31, 2023 and January 1, 2023. For the 52 weeks ended December 31, 2023 and January 1, 2023, MRG elected to expense all earned management fees amounting to \$92,307 and \$86,909, respectively. As of December 31, 2023 and January 1, 2023, accrued management fees on the balance sheets totaled \$137,914 and \$140,700, respectively. Total accrued and deferred contingent management fees as of December 31, 2023 and January 1, 2023, totaled \$224,022 and \$226,808, respectively.

Salsarita's Holdings, LLC, the parent of Salsarita's Franchising, LLC, has a non-financial and non-governance interest in MFD, which provides for Holdings to receive certain allocations of profits and distributions after the financial interest holders of MFD have recovered their aggregate capital contributions to the Company. No earnings were either received or earned by Holdings during the 52 weeks ended December 31, 2023 and January 1, 2023.

Continuing royalties were not charged to Restaurants by Franchising during fiscal years 2023 or 2022. However, Restaurants incurred marketing royalties expense due to Franchising totaling \$226,630 and \$204,121 during fiscal 2023 and 2022, respectively.

Franchising was owed \$2,891,710 from Holdings as of December 31, 2023 and January 1, 2023. Franchising was owed \$326,010 and \$633,442 from Restaurants as of December 31, 2023 and January 1, 2023, respectively. These sums reflect unsecured, non-interest bearing advances under intercompany accounting practices used to accurately allocate expenses between entities and are made at the election of the Company management. Management of the Companies have considered various factors in evaluating the credit quality of advances to related parties, including their assessment of the counterparties' ability to repay their obligations. Franchising believes that all such advances will be fully recovered; therefore, an allowance for credit losses has not been recorded.

Holdings, Franchising and Restaurants are jointly obligated under a line of credit and loan agreements. A line of credit aggregating \$250,000, with no outstanding balance at December 31, 2023, bears interest at the 1 Month CME SOFR Rate plus 2.50%, which was 7.86% at December 31, 2023, and matures in April 2024. Additionally, a note, recorded on Restaurants' balance sheet, totaling \$333,333 at December 31, 2023, is due in monthly installments of \$8,333, plus interest at a rate of 7.30%, through April 2027. Substantially all of the Companies' assets collateralize the notes, which are subject to certain restrictive financial and operational covenants and guaranteed by certain Company members.

SALSARITA’S FRANCHISING, LLC
Notes to Financial Statements
December 31, 2023 and January 1, 2023
(Continued)

NOTE 8 - PROFIT SHARING PLAN

The Company has a 401(k) retirement plan for its full-time employees. The Company made contributions to the plan totaling \$38,355 and \$35,230 for the 52 weeks ended December 31, 2023 and January 1, 2023, respectively.

NOTE 9 - NOTES PAYABLE

On August 8, 2020, Franchising borrowed \$160,000 under the Small Business Administration (SBA) Economic Injury Disaster Loans (EIDL) program. Of this initial amount, \$10,000 was automatically forgiven by the SBA. The debt bears interest at a rate of 3.75%; is secured under a general security agreement designating business assets as collateral; and the \$150,000 balance is not forgivable. The promissory note is due monthly over a 30-year period beginning one year from the date of the note, however, the SBA granted two separate deferrals of repayments on these EIDL loans. Payments will amount to \$731 during the repayment period with a balloon payment due on any remaining balance on May 9, 2050. Repayment of this loan began on December 9, 2022. Interest continues to accrue from the date of the loan. Management of the Company believes that the proceeds were used according to the program provisions.

At December 31, 2023, scheduled maturities of long-term debt consist of the following:

2027	\$	2,434
2028		3,295
Thereafter		<u>144,271</u>
	\$	<u><u>150,000</u></u>

NOTE 10 - SUBSEQUENT EVENTS

On January 27, 2024, Restaurants closed one of its remaining eight stores and terminated the franchising agreement. On April 15, 2024, Restaurants transferred ownership of its seven remaining stores to one of its franchisees.

Other than the store closure and transfer, the Company had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through April 23, 2024, the date the financial statements were approved by the Company’s management and thereby available to be issued.

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

SALSARITA'S HOLDINGS, LLC & SUBSIDIARIES
CONSOLIDATED SIDE BY SIDE BALANCE SHEET
February 23, 2025

As of Date:

02/23/2025

SALSARITA'S FRANCHISING, LLC

ASSETS

CURRENT ASSETS

Cash on Hand	\$ 0.00
Undeposited Funds	(2,390.17)
Cash in Bank	864,979.54
Accounts Receivable	351,831.25
Inventory-Food	0.00
Inventory-Paper	0.00
Prepaid General Insurance	36,461.64
Prepaid Worker's Compensation	0.00
Prepaid Computer Expenses	16,887.50

TOTAL CURRENT ASSETS 1,267,769.76

PROPERTY, PLANT AND EQUIPMENT

Design and Construction Cost	92,643.79
Leaseholds	29,699.19
Furniture & Fixtures	78,558.14
Equipment	51,942.78
Computer/Phone Equipment	144,078.78
Computer Software	61,413.26
Office Equipment	20,732.23
Vehicles	5,895.75
Accumulated Depreciation	(444,154.34)

NET BOOK VALUE OF FIXED ASSETS 40,809.58

OTHER ASSETS

Deposits	7,908.75
Goodwill	4,225,000.00
Right-of-Use Asset	342,458.15
Right-of-Use Asset - Accum Amort	(268,131.57)

TOTAL OTHER ASSETS 4,307,235.33

TOTAL ASSETS

\$ 5,615,814.67

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	(146,067.17)
Accounts Payable-Gift Cards	330,185.25

Accrued Payroll	33,392.42
Accrued Payroll Taxes	2,504.14
Accrued Retirement Plan	5,528.69
Accrued Garnishments	0.00
Accrued Sales Tax-NC	0.00
Accrued Sales Tax-SC	0.00
Accrued Property Taxes	160.00
Accrued Management Fees	112,259.95
Accrued Consulting Fees	(20,000.00)
Accrued Expenses	0.00
Accrued Interest	7,037.50
Accrued Escheatable Funds	(432.99)
Accrued Accounting/Legal	11,600.00
Accrued Legal	6,259.50
Accrued Royalties Due Area Rep	(3.28)
Accounts Payable - No Kid Hungry	0.00
Tips Payable	0.00
Deferred Franchise Agreement	42,550.00
TOTAL CURRENT LIABILITIES	384,974.01
LONG TERM LIABILITIES	
Operating Lease Liability LT	0.00
Right-of-Use Liability	76,659.52
SouthState Term Loan	0.00
Notes Payable- EIDL	150,000.00
TOTAL LONG TERM LIABILITIES	226,659.52
MEMBERS' EQUITY	
Intercompany	(3,584,513.97)
Capital	5,380,132.57
Owner's Capital	(94,746.00)
Accumulated Earnings/(Losses)	2,989,160.49
Accumulated Adjustment Account	302,615.57
Retained Earnings	0.00
Net Income (Loss)	11,532.48
TOTAL MEMBERS' EQUITY	5,004,181.14
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 5,615,814.67

FOR MANAGEMENT USE ONLY.

SALSARITA'S FRANCHISING, LLC

SALSARITA'S FRANCHISING, LLC

Year To Date

02/23/2025

	Actual	%
GROSS REVENUE		
Royalty Income	373,457	68.4 %
Franchise Fees	0	0.0 %
Marketing Income	172,765	31.6 %
TOTAL GROSS REVENUE	546,222	100.0 %
TOTAL COGS		
COST OF FOOD SALES		
Beginning Food Inventory	0	0.0 %
Food Purchases	0	0.0 %
Ending Food Inventory	0	0.0 %
TOTAL COST OF FOOD SALES	0	0.0 %
COST OF PAPER SALES		
Beginning Paper Inventory	0	0.0 %
Paper Purchases	0	0.0 %
Ending Paper Inventory	0	0.0 %
TOTAL COST OF PAPER SALES	0	0.0 %
TOTAL COST OF GOODS SOLD	0	0.0 %
Direct Labor	156,699	28.7 %
Indirect Labor	31,055	5.7 %
TOTAL LABOR	187,754	34.4 %
TOTAL COGS & LABOR	187,754	34.4 %
GROSS PROFIT	358,468	65.6 %
TOTAL OPERATING EXPENSES		
Catering Expenses	4,509	0.8 %
Disposables		
Disposables	0	0.0 %
Total Disposables	0	0.0 %
Repairs & Maintenance	0	0.0 %
Supplies	1,510	0.3 %
Technology Expenses	35,001	6.4 %
Utilities	2,517	0.5 %
Other Operating Expenses	90,512	16.6 %
Third Party Fees	0	0.0 %
Advertising Expenses	1,921	0.4 %
Discounts	0	0.0 %
Marketing Expenses	162,955	29.8 %
TOTAL OPERATING EXPENSES	298,925	54.7 %

OPERATING PROFIT(LOSS) BEFORE RENT	59,543	10.9 %
Rent Expense		
Rent-Common Area Charges	1,001	0.2 %
Rent-Store	12,978	2.4 %
Rent-Storage	816	0.1 %
Total Rent Expense	14,795	2.7 %
OPERATING PROFIT(LOSS)	44,748	8.2 %
Multi-Unit Supervision	0	0.0 %
Insurance-Officer's Health	2,914	0.5 %
Insurance-Officer's Life	10,857	2.0 %
Taxes-Personal Property	160	0.0 %
Miscellaneous Expense	21	0.0 %
Interest Expense	731	0.1 %
Penalties	0	0.0 %
Depreciation Expense	2,529	0.5 %
Management Fee	11,204	2.1 %
Consulting Fee	9,333	1.7 %
Research and Development Expense	1,219	0.2 %
Other Expense-Business Development	17,500	3.2 %
Store Closing Expense	0	0.0 %
Other Income-Interest	0	0.0 %
Other Income-Miscellaneous	36	0.0 %
Other Income-Vendor Rebates	18,687	3.4 %
NET INCOME	7,003	1.3 %

SALSARITA'S HOLDINGS, LLC & SUBSIDIARIES
STATEMENT OF CASH FLOWS
INDIRECT METHOD

As of Date:

02/23/2025

Location:

SALSARITA'S FRANCHISING, LLC

	Period Ending 02/23/2025	Year to Date 02/23/2025
	Actual	Actual
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	49,013.48	7,002.65
Non Cash Adjustments Relating to Cash Flows from Operating Activities		
Depreciation and Amortization	1,239.31	2,528.94
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(11,701.60)	44,842.27
(Increase) Decrease in Other Receivables	0.00	(263.28)
(Increase) Decrease in Related Party Receivables	(29,236.90)	(57,285.70)
(Increase) Decrease in Prepayments	16,443.33	7,253.81
Increase (Decrease) in Accounts Payable	(116,686.89)	(51,479.86)
Increase (Decrease) in Other Payables	718.66	35,544.57
Increase (Decrease) in Accrued Payroll Tax Payable	253.81	56.68
Increase (Decrease) in Accrued Payroll	2,667.13	740.90
Increase (Decrease) in Other Liabilities	15,169.39	9,861.59
Net Cash Flows from (Used in) Operating Activities	(72,120.28)	(1,197.43)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Cash Flows from (Used in) Investing Activities	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Flows from (Used in) Financing Activities	0.00	0.00
INCR (DECR) IN CASH EQUIVALENTS	\$ (72,120.28)	\$ (1,197.43)
Cash Balance at Beginning of Period	\$ 933,438.52	\$ 863,327.08
Net Increase (Decrease)	(68,458.98)	1,652.46
Cash Balance at End of Period	\$ 864,979.54	\$ 864,979.54

FOR MANAGEMENT USE ONLY.

EXHIBIT J

LIST OF FRANCHISEES AND FORMER FRANCHISEES

**EXHIBIT J TO
FRANCHISE DISCLOSURE DOCUMENT**

Part A: List of Franchisees as of December 31, 2024.

ALABAMA		
Shivraj, LLC 8015 Vaughn Road Montgomery, AL 36117 Att: Ken Desai (504) 400-2885	Laxmi Ventures of Huntsville 3002 South Memorial Pky Suite A Huntsville, AL 35801 Att: HP Patel (865) 684-9879	Laxmi Ventures of Huntsville 8044 Hwy 72 W Madison AL 35757 Att: HP Patel (865) 684-9879
ARKANSAS		
Compass Group NA * Wal-Mart Corporate Headquarters 702 SW 8 th Street Bentonville, AR 72712 Attn: Shawn Keller (479) 715-1423		
ILLINOIS		
Compass Group NA* State Farm Corporate HQ #1 One State Farm Plaza, B-4 Bloomington, IL 61710-0001 Attn: Vicki McAllister (309) 261-5483	Compass Group NA* State Farm Corporate HQ #2 One State Farm Plaza, B-4 Bloomington, IL 61710-0001 Attn: Vicki McAllister (309) 261-5483	Compass Group NA* State Farm Corporate HQ #3 One State Farm Plaza, B-4 Bloomington, IL 61710-0001 Attn: Vicki McAllister (309) 261-5483
INDIANA		
Mid-West Salsa, LLC** 3910 E Morgan Ave Evansville IN 47715 Attn: Jeffrey Kelsey (812) 453-3824	Mid-West Salsa, LLC 3910 E Morgan Ave Evansville IN 47715 Attn: Jeffrey Kelsey (812) 453-3824	Mid-West Salsa, LLC*** 4077 State Route 261, Newburgh, IN 47630 Attn: Jeffrey Kelsey (812) 453-3824
KENTUCKY		
Mid-West Salsa, LLC 3500 Villa Point, Suite 101 Owensboro, KY 42303 Attn: Jeffrey Kelsey (812) 453-3824	S.S. Fresh Mex of Louisville, LLC 12915 Shelbyville Road Louisville, KY 40243 Attn: Steve Stallings (502) 365-1424	S.S. Fresh Mex of Louisville, LLC 285 N. Hubbards Ln., Suite 100 Louisville, KY 40207 Attn: Steve Stallings (502) 897-5323
S.S. Fresh Mex of Shepherdsville, LLC 285 Keystone Crossroads Shepherdsville KY 40165 Attn: Steve Stallings (502) 356-9468		
MARYLAND		
Tim and Ronda Tracy 906 Costley Way Prince Frederick, MD 20678 (443) 532-7122		
MICHIGAN		

Salsarita's of Brighton 9725 Village Place Blvd. Brighton, MI 48116 Attn: Connie Louwers (810) 22-SALSA	TA Development LLC 100 Renaissance Center Level A, Suite A106 Detroit, MI 48243 Attn: Steve Alie (313) 567-3701	TA Development LLC Romeo Commons 18325 Hall Rd. Macomb MI 48044 Attn: Steve Alie (586) 416-2800
TA Development LLC 6892 Rochester Rd. Troy MI 48085 Attn: Steve Alie (313) 567-3701	TA Development LLC 24791 Southfield Rd Southfield MI 48075 (313) 567-3701	
MISSISSIPPI		
Mississippi Franchise Development, LLC 87-1 Cotton Mill Drive Starkville, MS 39709 Attn: Phil Friedman 601-662-2338		
NEW YORK		
Salsarita's Chippewa, Inc 110 W. Chippewa Buffalo, NY 14202 Attn: Josh Cohen 716-201-9562	Salsarita's Transit, Inc 4375 Transit Rd. Clarence NY 14221 Attn: Josh Cohen 716-201-9562	Salsarita's Union, LLC 3901 Union Rd Cheektowaga, NY 14225 Attn: Josh Cohen 716-201-9562
NORTH CAROLINA		
Villa of NC, LLC * Concord Mills 8111 Concord Mills Blvd, #101 Concord Mills, NC 28027 Attn: Matt Von Klemperer (973) 695-0913	Compass Group * UNCG 507 Stirling Street Greensboro, NC 27406 Attn: Aimee Trippel (336) 3344-464	Denard Enterprises* Charlotte International Airport Concourse – Main Charlotte NC 28208 Attn: Frank Johnson (704) 359-8001
Why 2 Why, Inc. Quail Corners 8400 Park Road Charlotte, NC 28210 Attn: Harvey Yancey (704) 643-9500	Raleigh-Durham International Airport* Terminal 1, Gate A5 1050 Airside Drive, Suite 2101 Raleigh, NC 27675 Attn: Adrian Beard (704) 453-6547	Lowe's Home Improvement Corporate Headquarters – Compass Group** 1000 Lowe's Blvd. Mooresville, NC 28115 Attn: Café Manager (704) 757-1595
R&S Mex, LLC 944 Second St NE Hickory NC 28601 Attn: Randy Lyons (828) 304-2485	TAS Restaurants Inc. 1602-A Highwoods Blvd Greensboro, NC 27410 Attn: Brian Damore (336) 632-8877	TAS Restaurants, Inc. 4112 Brian Jordan PL Suite 113 High Point, NC 27265 Attn: Brian Damore (336) 632-8877
NAND1325, LLC 688-A Bluefield Road Mooresville, NC 28177 Attn.: Emit Patel (704) 799-7403		
SOUTH CAROLINA		

Salsa Carolinas, LLC** 3074 Boiling Springs Hwy Boiling Springs SC 29316 Attn: Jeff Rigsby (828) 277-1660	Salsa Carolinas, LLC 8595 Pelham Road, Suite 500 Greenville, SC 29615 Attn: Jeff Rigsby (828) 277-1660	Salsa Carolinas, LLC 1675 E Main St Unit D Duncan SC 29334 Attn: Jeff Rigsby (828) 277-1660
Zanzibar, LLC 813 Beechleaf Ct. Lexington, SC 29072 Attn: Suki Patel (803) 361-3340	Salsa Carolinas, LLC 3074 Boiling Springs Hwy Boiling Springs SC 29316 Attn: Jeff Rigsby (828) 277-1660	Salsa Killian, LLC 1033 Robert Branch Pkwy Columbia SC 29203 Attn: Suki Patel (803) 999-2449
Salsa WC, LLC 2507 Sunset Blvd West Columbia SC 29169 Attn: Suki Patel (803)999-2445		
TENNESSEE		
Laxmi Ventures Alcoa, Inc. 715 Louisville Road Alcoa, TN 37701 Attn: HP Patel (865) 690-0486	Laxmi Chattanooga Hamilton, LLC Hamilton Place Corner 2115 Gunbarrel Road, Suite # 8 Chattanooga, TN 37421 Attn: HP Patel (423) 894-7144	Laxmi Chattanooga Hixson, Inc. 252 Northgate Chattanooga, TN 37415 Attn: HP Patel (865) 429-0991
Laxmi Ventures Turkey Creek, Inc. 10919 Parkside Drive Knoxville, TN 37922 Attn: HP Patel (865) 671-2426	Laxmi Ventures Bearden 4861 Kingston Pike Knoxville 37919 Attn: HP Patel (865) 684-9879	Laxmi Ventures Fountain City, Inc. 5224 N. Broadway St. Knoxville, TN 37918 Attn: HP Patel (865) 688-1020
Laxmi Ventures of Cedar Bluff, LLC 105 Moss Grove Blvd Knoxville, TN 37 Attn: HP Patel (865) 684-9879922	Laxmi Ventures Chapman 7614 Chapman Hwy Suite 124 Knoxville TN 37919 Attn: HP Patel (865) 684-9879	Laxmi Ventures Cleveland 694 Paul Huff Parkway Cleveland TN 37312 Attn: HP Patel (865) 684-9879
Laxmi Ventures of Oak Ridge, LLC 220 S. Illinois Ave. Oak Ridge, TN 37830 Attn: HP Patel (865) 684-9879	Laxmi Ventures Morristown 140 Hatfield Drive Suite 5 Morristown TN 37814 Attn: HP Patel (865) 684-9879	Laxmi Ventures Emory Road, Inc. 570 East Emory Road Powell, TN 37849 Attn: HP Patel (865) 684-9879
Laxmi Chattanooga Ooltewah, Inc. 9032 Old Lee Highway Suite 120 Ooltewah, TN 37363 Attn: HP Patel (865) 684-9879	Laxmi Ventures Hardin Valley, Inc 10577 Hardin Valley Rd Knoxville TN 37932 Attn: HP Patel (865) 684-9879	

* - Denotes a non-traditional licensee of Salsarita's Franchising, LLC who operates in a manner significantly different from a typical franchisee.

** - Denotes the name and address of an Area Developer's business office and not the address of a Restaurant location.

*** - Denotes a franchisee with whom a Franchise Agreement is signed but a Restaurant is not yet open.

[See next page for list of former franchisees.]

Part B: List of Former Franchisees as of December 31, 2024.

The name and last known home address of every Salsarita’s franchisee who has had a Franchise transferred, terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement in 2024, or has not communicated with us within 10 weeks of the date of this disclosure document, is listed below:

Franchisees who ceased operations:

Global Village Cantina & Grille* 6000 Reynolds Drive PO Box 5000 Rochester Institute of Technology Rochester, NY 14623 Attn: Karla Orozco (585) 475-3454	Compass Group * UNCC Prospector Café 9201 University Blvd. Charlotte, NC 28223 Attn: Andrew Lipson (704) 687-2038
Laxmi Ventures West Town, Inc.* 100 Jack Dance Drive Knoxville, TN 37919 Attn: HP Patel (865) 690-0486	Laxmi Ventures of Clinton Highway, LLC* 6645 Clinton Highway Knoxville TN 37912 Attn: HP Patel (865) 684-9879
Wilmeth Corp, LLC 3316 Troup Highway Tyler, TX 75701 Atten: Earl Wilmeth (903) 539-4728	MW Ventures of Spotsylvania, LLC 10117 Southpointe Parkway Fredericksburg, VA 22407 Attn: Mark Walter (540) 891-8226

* Non-renewal

Franchisee who transferred operations:

HP Investment Group Winslow Bay Commons 688-A Bluefield Road Mooresville, NC 28177 Attn.: Dennis Patterson (704) 799-7403	
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EXHIBIT K
GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is entered into by _____, a _____ (“Franchisee”) and _____ (“Guarantor”) in favor of Salsarita’s Franchising, LLC, a Mississippi limited liability company (“Licensor”), as follows:

Background:

Franchisee is currently a Franchisee of Licensor pursuant to those certain agreements entered into between Franchisee and Licensor (collectively the “Franchise Agreements”) which are named and dated as follows:

Name	Date
1.	_____ , _____
2.	_____ , _____

For good and valuable consideration the receipt, adequacy and sufficiency of which are hereby acknowledged by Franchisee and Guarantor, Franchisee and Guarantor hereby covenant, agree, acknowledge and represent as follows:

1. General Release of Claims. Franchisee and Guarantor jointly and severally, on behalf of themselves and their heirs, executors, successors and assigns, do hereby release, acquit, satisfy and forever discharge Licensor, its affiliates and subsidiaries, and each of their respective officers, directors, shareholders, agents, employees and representatives, and each of their respective heirs, executors, successors, and assigns, (collectively “Released Parties”) of and from all manner of claims, demands, actions and causes of action whatsoever (collectively, “Claims,” and individually, a “Claim”), whether known or unknown, in law or in equity, contingent or otherwise, including, without limitation, claims arising under federal, state and local laws, rules and regulations which Franchisee and Guarantor ever had, now have, or in the future may have against the Released Parties, or any one or more of them, for, upon and by reason of any matter, cause or thing whatsoever arising out of, related to, or in any way connected with (a) the Franchise Agreements, or (b) the Salsarita’s franchises granted pursuant to the Franchise Agreements (the “Franchises”), including, without limitation, any Claim based upon, arising out of or in any way relating to the ownership, operation or management of the franchises. The parties acknowledge that the foregoing release shall not be construed to affect the obligations of Franchisee, Guarantor or Licensor under any other Franchise Agreements or Area Development Agreements between Franchisee, Guarantor and Licensor.

2. No Transfer of Claims. Franchisee and Guarantor jointly and severally represent and warrant that they have not assigned, transferred, conveyed or otherwise encumbered any Claim, and agree to indemnify and hold harmless the Released Parties from and against any and all losses, liabilities, damages, judgments, costs and expenses (including without limitation reasonable attorneys’ fees) suffered or incurred by any one or more of the Released Parties as a result of any breach of any representation or warranty contained in this Release.

3. Knowing Waiver; Authorization. This Release has been voluntarily and knowingly executed by Franchisee and Guarantor after they have each had the opportunity to consult with legal counsel of their choice. Franchisee and Guarantor represent that they each have the authority to execute and deliver this Release.

4. Indemnification. Franchisee and Guarantor acknowledge and agree that the indemnification provisions contained in each of the Franchise Agreements shall be and remain in full force and effect and shall survive the execution of any successor Franchise Agreements.

5. Miscellaneous. This Release may be executed in multiple counterparts, all of which shall constitute one and the same Release. The failure of either Franchisee or Guarantor to execute this Release shall not invalidate its effect as to any person or entity who otherwise executes this Release. This Release has been delivered in, and shall be interpreted and construed under the laws of, the State of North Carolina without regard to its conflict of laws principles.

6. State Specific Matters. This Release does not apply with respect to any claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder, unless executed pursuant to a negotiated settlement where the parties are represented by independent counsel. This Section 6 shall be effective only to the extent the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Section 6.

IN WITNESS WHEREOF, Franchisee and Guarantor have caused this Release to be executed and delivered by its duly authorized officer as of the date first above written.

FRANCHISEE:

GUARANTOR:

By: _____
Name: _____
Title: _____

By: _____ (SEAL)
Print Name: _____

Signed sealed and delivered in the presence of:

Signed sealed and delivered in the presence of:

NOTARY PUBLIC

NOTARY PUBLIC

My commission expires _____.

My commission expires _____.

(NOTARIAL SEAL)

(NOTARIAL SEAL)

EXHIBIT L

AUTHORIZATION FOR PREARRANGED PAYMENT

**AUTHORIZATION FOR PREARRANGED PAYMENT
(DIRECT DEBITS)**

The undersigned depositor (“DEPOSITOR”) hereby (1) authorizes Salsarita’s Franchising, LLC (“COMPANY”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account indicated below and (2) authorizes the depository designated below (“DEPOSITORY”) to debit and/or credit such account pursuant to COMPANY’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 COMPANY 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. If an erroneous debit entry is initiated to DEPOSITOR’s account, COMPANY agrees that 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, which ever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice (with a copy to COMPANY) 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 (Print Name)

By: _____

Title: _____

Date: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

